

# **IS SOUTH AFRICA WORTHY OF IT'S BRIC IN BRICS?**

**By**

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Submitted in accordance with the requirements for the degree of

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**SUPERVISOR: PROF M S NGWENYA**

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## **DEDICATION**

This dissertation is dedicated to my loving mother, Linda Valjalo who has always supported every dream and believed in me. I couldn't have done this without you.

## DECLARATION

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Degree: Masters in Commerce (Business Management)

Title of the dissertation: IS SOUTH AFRICA WORTHY OF ITS BRIC IN BRICS?

I declare that the dissertation entitled IS SOUTH AFRICA WORTHY OF ITS BRIC IN BRICS is my own work and that all the sources I have used or quoted have been indicated and acknowledged by means of complete references.



MS TF VALJALO

13 September 2018

DATE

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This hereby certifies that I, Gillian Erasmus, edited the body of the document annexed hereto (including references and bibliography), entitled:

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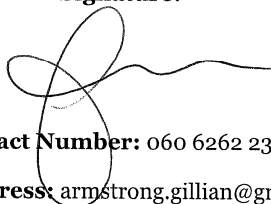
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## **ABSTRACT**

'BRIC' is an acronym created by Jim O'Neil to describe some of the world's leading emerging economies, namely Brazil, Russia, India, and China. During 2010, the members of the group included South Africa and 'BRIC' was renamed 'BRICS'. The primary objective of this study was to investigate whether South Africa should be included in BRICS, taking into account that the country represents the whole of Africa. Data was collected by means of self-administered questionnaires and face-to-face semi-structured interviews. The results suggest that South Africa should be included in BRICS as it is depicted as the regional leader and gateway to the continent. This is demonstrated by its global economic prominence especially through multilateral organisations such as SADC, AU, and it is the only African country in the G20. It is recommended that South Africa should work together with other African countries and encourage their inclusion in achieving common economic goals.

**KEY TERMS:** BRIC; BRICS; South Africa; Africa.

## **INGABA UMZANTSI AFRIKA UNENDIMA EYIYO KWIBRICS?**

### **ISISHWANKATHELO**

Isishunqulelo esithi“BRIC” senziwa nguJim O’Neil exela amanye amazwe aphambili kwezoqoqosho, mazwe lawo ayiBrazil, Russia, India, neChina. Ngonyaka wama-2010, amalungu eli qela adibanisa uMzantsi Afrika, yaza i“BRIC” yabizwa ngokutsha yaba yi“BRICS” (kuba uMzantsi Afrika uqala ngonobumba u’S’ ngesiNgesi). Injongo ephambili yesi sifundo yayikukuphanda ukuba ufakwe kusini na kwiBRICS uMzantsi Afrika, kungalityalwanga ukuba eli lizwe limele yonke iAfika. Kwaqokelelwa iinkcukacha zolwazi ngokusebenzisa uludwe lwemibuzo nokuqhuba udliwano ndlebe oluphantse lwangqingqwa. Iziphumo zicebisa ukuba uMzantsi Afrika mawungene kwiBRICS ngoba ubonakaliswa njengenkokheli yengingqi nesango lokungena kwilizwekazi laseAfrika. Oku kubonakaliswe kukugqama kwezoqoqosho, ngakumbi kumaqumrhu ezizwe ngeziwe afana neSADC neAU. Ngaphaya koko, lilo lodwa ilizwe laseAfrika kwiqumrhu iG20. Kuyacetyiswa ukuba uMzantsi Afrika usebenzisane namanye amazwe aseAfrika, ukhuthaze ukuba nawo athathe inxaxheba ukuze kufikelelwe kwiinjongo zoqoqosho ezifanayo.

**AMAGAMA APHAMBILI:** BRIC; BRICS; Mzantsi Afrika; Afrika.

# **NA AFRIKA BORWA E LOKETŠWE KE *BRIC* YA YONA KA GO *BRICS***

## **SETSOPOLWA**

“BRIC” ke akhronimi yeo e hlotšwego ke Jim O’ Neil go hlaloša tše dingwe tša diekonomi tše di hlagelelago tše di etilego pele e lego Brazil, Russia, India le China. Ka 2010, maloko a sehlopha a akareditše Afrika Borwa gomme “BRIC” ya bitšwa “BRICS” seswa. Maikemišetšo a motheo a thutelo ye e be e le go nyakišiša ge eba Afrika Borwa e swanetše go akaretšwa ka go BRICS, ka go hlokomela gore naga e emela Afrika ka moka ka gona. Datha e kgobokeditšwe ka mokgwa wa mananeopotšišo ao a diretšwego go arabja ke baarabi le dipotšišo tše di sa latelego lenaneo leo le itšeng. Dipelo di eletša gore Afrika Borwa e swanetše go akaretšwa ka go BRICS bjalo ka ge e laetšwa bjalo ka moetapele wa lefelo le mokgwaphihlelelo kontinenteng. Se se laetšwa ke bothwadi bja ekonomi ya yona nkgokolofaseng, gagolo ka mokgwa wa mekgatlo ya go bopša ke dinagantši ye bjalo ka SADC le AU. Ebile ke naga e nnoši ya Afrika ka go G20. Go eletšwa gore Afrika Borwa e šome mmogo le dinaga tše dingwe tša Afrika le go hlohleletša go ba gona ga tšona phihlelelong ya dinepo tše di swanago ekonoming.

**Mareo a bohlokwa:** BRIC; BRICS; AFRIKA BORWA; Africa.



## TABLE OF CONTENTS

DEDICATION.....	i
DECLARATION.....	ii
LETTER FROM LANGUAGE EDITOR.....	iii
ACKNOWLEDGEMENTS.....	iv
ABSTRACT.....	v
XHOSA ABSTRACT.....	vi
SESOTHO ABSTRACT.....	vii
TABLE OF CONTENTS.....	viii
LIST OF TABLES.....	xx
LIST OF FIGURES.....	xxi
LIST OF ACRONYMS.....	xxii

### CHAPTER 1: INTRODUCTION

1.1	Introduction.....	1
1.2	Background of the study.....	2
1.2.1	The creation of BRICS.....	2
1.2.2	Latest advancements in BRICS.....	6
1.2.3	Objectives of BRICS after the 2013 Summit.....	8
1.3	Problem statement.....	8
1.4	Research questions.....	9
1.4.1	Why South Africa should be in BRICS.....	9
1.4.2	What can South Africa contribute to BRICS.....	10
1.5	Research objectives.....	10
1.5.1	Primary objective.....	10
1.5.2	Secondary objectives.....	10
1.6	Significance of the study.....	10
1.7	Research design and methodology.....	11
1.7.1	Research design.....	12
1.7.2	Defining the research universe.....	13
1.7.2.1	<i>Population and sample</i> .....	13
1.7.3	Data collection.....	14

1.7.4	Analysing data.....	15
1.8	Scope and demarcation of the study.....	16
1.8.1	Limitations of the study.....	16
1.8.2	Delimitations of the study.....	16
1.9	Research ethics.....	16
1.10	Structure of the study.....	17
1.11	Conclusion.....	18

## CHAPTER 2: LITERATURE REVIEW ON BRICS

2.1	Introduction.....	20
2.1.1	How BRICS was formed.....	20
2.1.1.1	<i>Growth rate.....</i>	22
2.1.1.2	<i>South Africa is the largest economy in Africa.....</i>	23
2.1.1.3	<i>Changes in world economy.....</i>	24
2.1.1.4	<i>BRICS has no analogues.....</i>	24
2.1.1.5	<i>Foreign investment and media perceptions.....</i>	24
2.1.1.6	<i>Political reality.....</i>	25
2.1.1.7	<i>Breakaway from northern axis.....</i>	25
2.1.1.8	<i>Each BRIC member provides resources.....</i>	25
2.1.1.9	<i>Transition.....</i>	26
2.1.1.10	<i>Political alternatives.....</i>	26
2.1.1.11	<i>New approach.....</i>	27
2.1.1.12	<i>Global disclosure monopoly.....</i>	27
2.1.1.13	<i>Competition with other organisations.....</i>	27
2.1.1.14	<i>Inspiration for emerging powers to work together.....</i>	28
2.1.1.15	<i>Channels of communication built.....</i>	28
2.1.1.16	<i>Global shocks.....</i>	28
2.1.1.17	<i>Contemporary challenges.....</i>	29
2.1.2	Significance of BRICS.....	29
2.1.2.1	<i>Global managers of tomorrow.....</i>	30
2.1.2.2	<i>Rapid economic growth and industrialization.....</i>	31
2.1.2.3	<i>International influence.....</i>	31
2.1.2.4	<i>Leadership and supporting roles.....</i>	31

2.1.2.5	<i>Geographic and demographic dimensions.....</i>	32
2.1.3	Commonalities and differences of BRICS.....	32
2.1.3.1	<i>Regional leaders with fast growing economies.....</i>	32
2.1.3.2	<i>Emerging markets.....</i>	33
2.1.3.3	<i>Common vision.....</i>	34
2.1.3.4	<i>Recognition within global economy.....</i>	34
2.1.4	Strengths and weaknesses of BRICS countries.....	35
2.1.5	Major differences between BRICS countries.....	38
2.1.5.1	<i>Economy.....</i>	38
2.1.5.2	<i>Border tensions and political views.....</i>	39
2.1.5.3	<i>Commodity prices.....</i>	40
2.1.5.4	<i>Income and wealth.....</i>	40
2.1.5.5	<i>International trade.....</i>	40
2.1.5.6	<i>National security.....</i>	41
2.1.5.7	<i>Growth.....</i>	42
2.1.5.8	<i>Competition.....</i>	42
2.1.5.9	<i>International organisation and communication.....</i>	43
2.1.5.10	<i>Solutions.....</i>	44
2.1.6	Challenges of BRICS.....	44
2.1.6.1	<i>Ownership of BRICS.....</i>	45
2.1.6.2	<i>Policies.....</i>	45
2.1.6.3	<i>Integration system.....</i>	45
2.1.6.4	<i>Financial crises.....</i>	45
2.1.6.5	<i>Demographic profiles.....</i>	46
2.1.6.6	<i>Inequality.....</i>	46
2.1.6.7	<i>Trade and investment.....</i>	47
2.1.6.7.1	<i>Economic growth strategies.....</i>	48
2.1.6.7.2	<i>Account deficits.....</i>	49
2.1.6.7.3	<i>Trading relationships.....</i>	49
2.1.6.8	<i>Infrastructure and industrial development.....</i>	49
2.1.6.9	<i>Agricultural sectors.....</i>	50
2.1.6.10	<i>Culture and tourism.....</i>	51
2.1.7	BRICS GDP, trade and investment in the world economy.....	51

2.1.8	BRICS move to make global economy system robust.....	52
2.1.9	International relations with the BRICS.....	52
2.1.9.1	<i>BRICS and the G20.....</i>	52
2.1.9.2	<i>BRICS and the European Union (EU).....</i>	53
2.1.9.3	<i>BRICS and IBSA.....</i>	54
2.1.9.4	<i>BRICS and the Group of 7 (G7).....</i>	55
2.2	Conclusion.....	56

### **CHAPTER 3: SOUTH AFRICA'S CONTRIBUTION TO BRIC**

3.1	Introduction.....	58
3.1.1	Does South Africa have what it takes to be in BRICS.....	59
3.1.1.1	<i>Per capita income.....</i>	59
3.1.1.2	<i>Enhance co-operation between emerging markets.....</i>	60
3.1.1.3	<i>South Africa's economy.....</i>	60
3.1.1.4	<i>Constitutional democracy transition after apartheid.....</i>	61
3.1.1.5	<i>More than a group of large countries with growth.....</i>	61
3.1.1.5.1	<i>Natural resources.....</i>	61
3.1.1.5.2	<i>Financial markets/ advanced banking system.....</i>	62
3.1.1.5.3	<i>Established corporate footprints.....</i>	63
3.1.1.5.4	<i>Export structure.....</i>	65
3.1.1.5.5	<i>Culture of innovation.....</i>	66
3.1.1.5.6	<i>Geographical position.....</i>	68
3.1.1.5.7	<i>Macro and micro financial climate.....</i>	68
3.1.1.5.8	<i>Bond market.....</i>	69
3.1.1.5.9	<i>Contribution to peace and stability.....</i>	70
3.1.1.5.10	<i>Pro-poor orientation.....</i>	70
3.1.1.5.11	<i>Infrastructure and environmental management.....</i>	71
3.1.1.6	<i>South Africa's ranking on indices.....</i>	73
3.1.1.7	<i>Industrial capability and technology.....</i>	76
3.1.1.8	<i>South Africa's relationship with China.....</i>	77
3.1.1.8.1	<i>China is each BRIC member's bilateral partner.....</i>	77
3.1.1.8.2	<i>China's influence on South Africa's foreign policy.....</i>	77
3.1.1.9	<i>South Africa represents Africa.....</i>	78

3.1.1.9.1	<i>Second most populous continent.....</i>	79
3.1.1.9.2	<i>International forums.....</i>	79
3.1.1.9.3	<i>Basic grouping.....</i>	80
3.1.1.9.4	<i>India, Brazil, and South Africa (IBSA).....</i>	81
3.1.1.9.5	<i>United Nations Security Council (UNSC).....</i>	82
3.1.1.9.6	<i>G20.....</i>	82
3.1.1.9.7	<i>African Union (AU).....</i>	83
3.1.1.9.8	<i>New partnership for Africa's development (Nepad).....</i>	83
3.1.1.9.9	<i>Southern African Development Community (SADC).....</i>	84
3.1.1.9.10	<i>Gateway to Africa for Business.....</i>	85
3.1.1.9.11	<i>Largest African to Africa Investor.....</i>	85
3.1.1.10	<i>Why BRICS countries chose South Africa.....</i>	86
3.1.1.11	<i>Relations with BRIC members.....</i>	87
3.1.1.12	<i>The rise of Africa.....</i>	87
3.1.1.13	<i>Engagement with Africa.....</i>	88
3.1.1.14	<i>South Africa may not have what it takes to be part of BRICS.</i>	89
3.1.1.14.1	<i>Economic and political challenges.....</i>	89
3.1.1.14.2	<i>Nigeria's position as regional leader of Africa.....</i>	90
3.1.1.14.3	<i>Foreign policy conflict.....</i>	90
3.1.1.14.4	<i>Rescuing Zimbabwe.....</i>	91
3.1.1.14.5	<i>Inequality.....</i>	91
3.1.1.14.6	<i>Poverty.....</i>	91
3.1.1.14.7	<i>Unemployment.....</i>	92
3.1.1.14.8	<i>Opportunities for the youth.....</i>	93
3.1.1.14.9	<i>Crime.....</i>	93
3.1.1.14.10	<i>Life expectancy.....</i>	94
3.1.1.14.11	<i>Slow growth.....</i>	94
3.2	<i>Policy issues with South Africa included in BRICS.....</i>	95
3.3	<i>Benefits of South Africa been included in BRICS.....</i>	96
3.3.1	<i>Opportunity to influence policymaking.....</i>	96
3.3.2	<i>Enhance South Africa's strategy.....</i>	97
3.3.3	<i>Supportive international environment.....</i>	97
3.3.4	<i>Renewable energy and technology sectors.....</i>	97

3.3.5	Infrastructure development.....	98
3.3.6	Market access.....	98
3.3.7	To improve the standard of living of South Africans.....	98
3.3.8	Opportunities provided by New Development Bank.....	98
3.3.9	Alternative rating agency.....	99
3.3.10	Increase competitiveness.....	99
3.3.11	Increase trade and investment.....	99
3.3.12	Rapid expansion.....	100
3.4	Weaknesses for South Africa been included in BRICS.....	100
3.4.1	Leverage trade and investment relations.....	101
3.4.2	Tariff barriers.....	101
3.4.3	Economic development models structure.....	101
3.4.4	Foreign policy challenges.....	102
3.4.5	South Africa is not a full BRICS member yet.....	102
3.4.6	Complicate ties to South African own region.....	103
3.4.7	Weakest member.....	104
3.4.8	Talk shop.....	104
3.4.9	Challenge to South Africa's economic interests.....	104
3.6	What must South Africa do to make BRICS work.....	105
3.7	Conclusion.....	107

## **CHAPTER 4: RESEARCH DESIGN AND METHODOLOGY**

4.1	Introduction.....	111
4.2	The research framework.....	112
4.3	Research design.....	112
4.3.1	Classification of research design.....	113
4.3.2	Method used for the collection of data.....	115
4.3.3	Controls over variables.....	116
4.3.4	Purpose of the study.....	117
4.3.5	Time dimension.....	118
4.3.6	Topical scope.....	118
4.3.7	Research environment.....	118
4.3.8	Participants' perceptual awareness.....	119

4.4	The research strategy and instrument.....	120
4.4.1	Strengths and weaknesses.....	121
4.4.2	Survey design.....	123
4.4.3	The research instrument.....	125
4.4.3.1	<i>The development of the research instrument.....</i>	125
4.4.3.1.1	<i>Method.....</i>	125
4.4.3.1.2	<i>Pilot Study.....</i>	126
4.4.3.1.3	<i>Measurement and ratings.....</i>	130
4.5	Defining the research universe.....	131
4.5.1	Target population.....	131
4.5.2	Sampling and sampling method.....	131
4.5.2.1	<i>Probability sampling.....</i>	132
4.5.2.2	<i>Non-probability sampling.....</i>	133
4.6	Data obtained.....	134
4.6.1	BRICS Questionnaire.....	135
4.6.2	Semi-structured interviews.....	137
4.6.2.1	<i>Phase 1: Familiarising yourself with the data.....</i>	138
4.6.2.2	<i>Phase 2: Generating initial codes.....</i>	138
4.6.2.3	<i>Phase 3: Searching for themes.....</i>	138
4.6.2.4	<i>Phase 4: Reviewing themes.....</i>	138
4.6.2.5	<i>Phase 5: Defining and naming themes.....</i>	139
4.6.2.6	<i>Phase 6: Producing the report.....</i>	139
4.6.2.7	<i>Phase 7: Qualitative data reference system.....</i>	139
4.6.3	Reliability and valid.....	139
4.6.3.1	<i>Reliability.....</i>	140
4.6.3.2	<i>Validity.....</i>	141
4.7	Data analysis plan.....	141
4.8	Delimitation of the study.....	143
4.9	Permission to conduct the study.....	143
4.10	Ethical considerations.....	143
4.11	Conclusion.....	144

## CHAPTER 5: FINDINGS

5.1	Introduction.....	146
5.2	Response rate.....	148
5.3	Participants residential area.....	149
5.4	Data collection and capturing.....	150
5.5	Quantitative analysis.....	150
5.5.1	Question 1.....	150
5.5.2	Question 2.....	152
5.5.3	Question 3.....	155
5.5.4	Question 4.....	158
5.5.5	Question 5.....	161
5.5.6	Question 6.....	167
5.5.7	Question 7.....	170
5.5.8	Question 8.....	173
5.5.9	Question 9.....	176
5.5.10	Question 10.....	178
5.6	Findings semi-structured interviews.....	180
5.7	Reasoning for BRICS.....	181
5.7.1	Growth potential.....	181
5.7.2	Informal idea.....	181
5.7.3	Independence from the western world.....	182
5.7.4	Common goals.....	182
5.7.5	Group of second world countries.....	183
5.7.6	Informal discussions initially.....	183
5.7.7	Improve co-operation.....	183
5.8	South Africa meeting BRICS requirements.....	183
5.8.1	Growth potential.....	183
5.8.2	BRIC members' choice.....	184
5.8.3	South Africa is a second world country.....	184
5.8.4	South Africa faces the same challenges.....	184
5.8.5	IBSA/BASIC.....	185
5.8.6	Shared perceptions and views.....	185
5.8.7	Fundamental changes.....	185



5.8.8	Summit progression.....	186
5.9	South Africa's improvements to benefit from BRICS.....	186
5.9.1	GDP and growth.....	187
5.9.2	Exchange programs, visa reductions, and less investment regulations.....	187
5.9.3	Resolve differences amongst members.....	187
5.9.4	Intensify South Africa's goals.....	188
5.9.5	Increase competitiveness.....	188
5.9.6	Replicate economic success stories.....	189
5.9.7	Encourage inclusion of new members.....	189
5.9.8	Strive towards a neutral role.....	189
5.9.9	Work with African countries.....	190
5.10	South Africa's advantages from BRICS.....	190
5.10.1	Perception.....	190
5.10.2	Economic co-operation, joint ventures, and business partnerships.....	190
5.10.3	Increased standard of living.....	190
5.10.4	Shaping the future.....	191
5.10.5	Trade advancement.....	191
5.10.6	Prevent stagnation.....	191
5.10.7	Future growth.....	191
5.10.8	Expansion.....	192
5.10.9	Support of larger members.....	192
5.10.10	BRICS Bank.....	192
5.11	South Africa's disadvantages from BRICS.....	192
5.11.1	Differences amongst members.....	192
5.11.2	Hurts manufacturing sector.....	193
5.11.3	Competitors.....	193
5.11.4	Strengthening South Africa's representation.....	193
5.11.5	Exploited.....	193
5.11.6	Possibility of neglecting previous groupings.....	193
5.11.7	Automatic acceptance.....	194
5.11.8	Smallest member 'syndrome'.....	194

5.11.9	Complicate neighboring relationships.....	194
5.11.10	Patronising NON-BRICS countries.....	194
5.11.11	Resolve own issues.....	194
5.12	South Africa's contribution to BRICS.....	195
5.12.1	Gateway to Africa.....	195
5.12.2	Untapped markets and opportunities.....	195
5.12.3	Regional and global player.....	195
5.12.4	High standards of auditing and reporting.....	196
5.12.5	Representation of Africa's population.....	196
5.12.6	African perspective.....	196
5.12.7	Rebalance power globally.....	197
5.12.8	Largest Africa investor.....	197
5.12.9	Increases BRICS resource pool.....	197
5.12.10	Per capita income and market capitalization.....	197
5.12.11	Diversification.....	197
5.12.12	High index ranking.....	198
5.13	South Africa hindering BRICS.....	198
5.13.1	Influence.....	198
5.13.2	Justification.....	198
5.13.3	Geographical position.....	198
5.13.4	Reaping benefits.....	198
5.13.5	South Africa's motive with Africa.....	198
5.13.6	Exceptionalism.....	199
5.13.7	Size.....	199
5.13.8	Economic apartheid.....	199
5.13.9	Established economy.....	200
5.14	Other countries for BRICS inclusion.....	200
5.14.1	Nigeria.....	200
5.14.2	Egypt.....	201
5.14.3	Indonesia.....	201
5.14.4	Turkey.....	202
5.14.5	Kenya.....	202
5.14.6	South Korea.....	202

5.14.7	Mexico.....	203
5.14.8	South Africa.....	203
5.15	Conclusion.....	209

## **CHAPTER 6: Summary, conclusions, and recommendations**

6.1	Introduction.....	218
6.2	Summary.....	219
6.3	Conclusions of study objectives.....	224
6.3.1	To establish the reasons BRICS was formed to determine if South Africa meets criteria.....	224
6.3.2	To determine why South Africa is the best country of choice...	226
6.3.3	To identify areas of improvements for South Africa to be part of BRICS.....	229
6.3.4	To identify both advantages and disadvantages of South Africa being a BRICS member.....	230
6.4	Conclusions of study.....	231
6.5	Recommendations.....	233
6.6	Limitations of the study.....	236
6.7	Suggestions for future research.....	236
6.8	Summary of the chapter.....	237
	References.....	238
	Appendix A: Questionnaire.....	274
	Appendix B: Letter to participants.....	277

## LIST OF TABLES

Table	1.1	BRICS development indicators.....	2
Table	2.1	BRIC in 2000.....	22
Table	2.2	Trend in economically active population (% total population...	30
Table	2.3	Key strength and weaknesses of the BRICS countries.....	35
Table	2.4	Percentage of economic freedom.....	41
Table	3.1	GDP per capita 2017 World Rankings.....	60
Table	3.2	Africa and Middle East Stock Exchange rankings.....	63
Table	3.3	Fastest growing Stock Exchanges by market capitalization...	63
Table	3.4	Global innovation index 2015 rankings of BRICS.....	67
Table	3.5	Africa infrastructure development index 2016.....	72
Table	3.6	BRICS 2016 environmental performance index.....	73
Table	3.7	Top 10 countries with the highest crime rate.....	94
Table	4.1	Exploratory and conclusive research.....	114
Table	4.2	Methods of conducting exploratory and conclusive research..	115
Table	4.3	Advantages and disadvantages of using questionnaires.....	122
Table	4.4	Advantages and disadvantages of structural data collection..	123
Table	4.5	Advantages and disadvantages of an e-mail survey.....	124
Table	4.6	Rating value.....	126
Table	4.7	Reasons to conduct a pilot study.....	127
Table	4.8	Demographics of the five participants included in pilot study..	128
Table	4.9	Conclusions of the pilot study.....	129
Table	4.10	Reasons for proposed questions in questionnaire.....	136
Table	4.11	Phases of thematic analysis.....	137
Table	5.1	Participants' area of residence.....	149
Table	5.2	Frequency table: Does South Africa deserve to be part of BRICS.....	151
Table	5.3	Descriptive table: Whether South Africa deserves to be part of BRICS.....	151
Table	5.4	One-sample t-test: Does South Africa deserve to be part of BRICS (H0: $x=3$ ).....	152

Table	5.5	Frequency table of whether South Africa is part of BRICS because it is a convenient hub between other BRIC members.....	154
Table	5.6	Descriptive table: Whether South Africa is part of BRICS because it is a convenient hub between other BRIC members.....	154
Table	5.7	One-sample t-test: Whether South Africa is part of BRICS because it is a convenient geographical hub between the other BRIC members ( $H_0: x=3$ ).....	155
Table	5.8	Frequency table: Whether Africa represents sizeable economy and large population when compared to Brazil, China, Russia and India.....	156
Table	5.9	Descriptive table: Whether Africa represents sizeable economy and large population when compared to Brazil, China, Russia and India.....	157
Table	5.10	One-sample t-test: Whether Africa represents sizeable economy and large population when compared to Brazil, China, Russia and India ( $H_0: x=3$ ).....	157
Table	5.11	Frequency table: Whether South Africa represents the whole of Africa, therefore making it a reasonable choice to be part of BRICS.....	159
Table	5.12	Descriptive table: Whether South Africa represents the whole of Africa, therefore making it a reasonable choice to be part of BRICS.....	160
Table	5.13	One-sample t-test: Whether South Africa represents the whole of Africa, therefore making it a reasonable choice to be part of BRICS ( $H_0: x=3$ ).....	160
Table	5.14	Main accomplishments of annual summits.....	162
Table	5.15	Main themes of 8 <sup>th</sup> BRICS Summit.....	164
Table	5.16	Frequency table: Whether BRICS summits were more Productive after South Africa was included in the grouping....	166
Table	5.17	Descriptive table of whether BRICS summits were more Productive after South Africa was included in the grouping....	166

Table	5.18	One-sample t-test: Whether BRICS summits were more productive after South Africa was included in the grouping (H0: $x=3$ ).....	167
Table	5.19	Frequency table: Whether South Africa was chosen to be part of BRICS because it already worked with BRICS countries through IBSA and BASIC.....	168
Table	5.20	Descriptive table of whether South Africa was chosen to be part of BRICS because it already worked with BRICS countries through IBSA and BASIC.....	169
Table	5.21	One-sample t-test: Whether South Africa was chosen to be part of BRICS because it already worked with BRICS countries through IBSA and BASIC (H0: $x=3$ ).....	169
Table	5.22	Frequency table: Whether BRICS countries share a common vision with each other.....	171
Table	5.23	Descriptive table of whether BRICS countries share a common vision with each other.....	172
Table	5.24	One-sample t-test: Whether BRICS countries share a common vision with each other (H0: $X=3$ ).....	172
Table	5.25	Frequency table: Whether South Africa actively contributes to the goals of BRICS.....	174
Table	5.26	Descriptive table of whether South Africa actively contributes to the goals of BRICS.....	175
Table	5.27	One-sample t-test: Whether South Africa actively contributes to the goals of BRICS (H0: $X=3$ ).....	175
Table	5.28	Frequency table: Whether South Africa was chosen to represent African countries due to sound relationships with other BRIC countries.....	176
Table	5.29	Descriptive table of whether South Africa was chosen to represent African countries due to sound relationships with other BRIC Countries.....	177
Table	5.30	One-sample t-test: Whether South Africa was chosen to represent African countries due to sound relationships with other BRIC countries (H0: $X=3$ ).....	177

Table	5.31	Frequency table: Whether BRICS bank will be successful in the future.....	179
Table	5.32	Descriptive statistics of whether BRICS bank will be successful in the future.....	179
Table	5.33	One-sample t-test: Whether BRICS bank will be successful in the future ( $H_0: X=3$ ).....	180
Table	5.34	Reference system used to report quotes.....	181
Table	5.35	Qualitative analysis summary.....	204

## LIST OF FIGURES

Figure	1.1	World ranking of the biggest economies.....	6
Figure	1.2	Research methodology framework.....	12
Figure	2.1	Trend in BRICS share in global trade percentage 1990–2010	21
Figure	3.1	Ease of doing Business 2017 Rankings.....	75
Figure	4.1	Research process.....	112
Figure	4.2	Descriptors of the research design.....	120



## **LIST OF ABBREVIATIONS AND ACRONYMS**

<b>ASEAN</b>	American Accounting Association
<b>AU</b>	Organisation of African Unity/African Union
<b>BRIC</b>	Brazil, Russia, India, and China
<b>BRICS</b>	Brazil, Russia, India, China, and South Africa
<b>CIA</b>	Central Intelligence Agency
<b>CGI</b>	Global Competitiveness Index
<b>CRA</b>	Contingency Reserve Arrangement
<b>CGI</b>	Global Competitiveness Index
<b>EU</b>	European Union
<b>G6</b>	Group of Six largest European Union Members: (Germany, France, United Kingdom, Italy, Spain and Poland)
<b>G7</b>	Group of Seven:- (France, Germany, Italy, Japan, United States, United Kingdom, Canada)
<b>G8</b>	Group of 8:- (Canada, France, Germany, Italy, Japan, Russia, United Kingdom and United States of America)
<b>G20</b>	Group of 20 (Finance Ministers from Argentina, Australia, Brazil, Canada, China, European Union, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, United Kingdom, and United States)
<b>GDP</b>	Gross Domestic Product
<b>HSRC</b>	Human Science and Research Council
<b>IBSA</b>	India, Brazil and South Africa
<b>ICC</b>	International Convention Centre
<b>ICT</b>	Information and Communication Technologies
<b>IMF</b>	International Monetary Fund
<b>LIC</b>	Low Income Countries
<b>MERCOSUR</b>	Economic and political agreement among Argentina, Brazil, Paraguay, Uruguay and Venezuela with Bolivia becoming an acceding member in December 2012
<b>N-11</b>	11 countries (Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Philippines, Turkey, South Korea, and

	Vietnam – identified by Goldman Sachs investment bank and economist Jim O'Neil)
<b>NATO</b>	North Atlantic Treaty Organisation
<b>NEPAD</b>	New Partnership for Africa's Development
<b>PICA</b>	NEPAD Presidential Infrastructure Championing Initiative
<b>PIDA</b>	Program for Infrastructure Development in Africa
<b>R &amp; D</b>	Research and Development
<b>SADC</b>	South African Development Community
<b>SAIIA</b>	South African Institute of International Affairs
<b>SDR</b>	Special Drawing Rights
<b>TRANSNET</b>	Transnet is a large South African rail, port and pipeline company
<b>UN</b>	United Nations
<b>WB</b>	World Bank
<b>WTO</b>	World Trade Organisation

## CHAPTER 1: INTRODUCTION

### 1.1. Introduction

'BRIC' is an acronym created by Goldman Sachs (South African Government Information, 2013:1) to describe some of the world's leading emerging market economies, namely **B**razil, **R**ussia, **I**ndia, and **C**hina. During 2010, the members of the group included South Africa and 'BRIC' was renamed 'BRICS'. BRICS is engaged in bilateral military exercises, funding banks, building institutions, and remapping global priorities for the 21<sup>st</sup> century, contributing to the development of humanity as well as establishing a more equitable and fair world.

BRICS members are all developing or newly industrialised countries, with the exception of Russia. They are distinguished by their large, fast-growing economy and significant influence on regional and global affairs (Chabane, 2013). The Provincial Treasury Republic of South Africa (2013) suggested that the BRICS countries' collaboration should be aimed at meeting economic needs of this century which would include infrastructure development, consumption, and increased trade. Numerous analysts, however, did not welcome the inclusion of South Africa in the group, stressing that the country's presence will drag down BRICS (Naidoo, 2012).

The purpose of this chapter is to introduce the study and set out the creation, latest developments, and goals of BRICS after the 2013 summit, followed by the problem statement upon which the study has been based. Research objectives are formulated from the problem statement and the value of study is discussed, which is followed by specific concepts pertaining to BRICS.

In addition, the strengths and weaknesses of and relationships amongst the member countries are discussed. Analysis of whether South Africa fits into the group is provided, together with the reasons for inclusion with a discussion on benefits, costs, and the country's contribution to the group.

To carry out this study, a specific research methodology is formulated, which consists of an overview of the research design, the research universe, a description of how the data will be obtained and analysed, and conclusions and recommendations from these findings.

## 1.2. Background of the study

The BRIC countries label refers to a select group of four large, developing countries namely Brazil, Russia, India, and China. The countries are distinguished from many other promising emerging markets by their demographic and economic potential to rank among the world's largest and most influential economies in the 21st century as well as having excellent prospects if that potential is realised. Together, the four original BRIC countries comprise more than 2.8 billion people or 40% of the world's population, cover more than a quarter of the world's land area over three continents, and account for more than 25% of global GDP as illustrated in Table 1.1 (Global Sherpa, 2011). Table 1.1 below depicts BRICS development indicators.

**Table 1.1: BRICS development indicators:**

Indicator	Brazil	Russia	India	China
Population (2009)	194 mil	142 mil	1.15 bil	1.330 bil
GDP (US \$ 2009)	1.573 bil	1.232 bil	1.310 bil	4.985 bil
GDP per Capita (PPP, Current Intl, \$, 2009)	\$10.499	\$14.913	\$3.015	\$6.778
GDP Avg Growth Rate (2011-14, As of April, 2011)	2.5%	0.3%	6.3%	10.100%
GDP Projected Avg Growth Rate (2011-14, As of April, 2011)	4.2%	4.5%	8.1%	9.500%
Merchandise Exports (US \$, 2009)	153 bil	303 bil	162 bil	1.201 bil
HDI % Change ( 1990 – 2010, for Brazil only 2000-2010)	7.6%	3.8%	33.3%	44.200%

Source: Adapted from Global Sherpa (2011).

### 1.2.1. The creation of BRICS

O'Neil, the economist and asset management chairman of the Investment Bank Goldman Sachs in 2001, stated that the inspiration for the creation of the BRICS group originated from the 9/11 Twin Tower attacks on America in 2001 (Aldrick, 2013). He was a foreign exchange analyst who had always been interested in globalisation and was fascinated by the rising power of Asia. Although it was an horrific incident, he believed that the 9/11 attacks demonstrated that the non-western world was starting to become more important, globalisation was not going to be Americanisation in the future, and he hoped that the shift of power could be seen in a more positive sense. He also emphasised that in order for globalisation to advance, it had to be accepted by more people without imposing on the dominant American social and philosophical belief and structures (Tett, 2010).

O'Neil came to the conclusion that economists had to consider that non-western economies would gain more power in the future (Tett, 2010). He then analysed the globe and became particularly interested in Brazil, (the garden of the world), India (the back office of the world), Russia, (the gas station of the world), and China (which is known as the factory of the world) (Provincial Treasury Republic of South Africa, 2013). These countries had never acted as a block before and seemed fundamentally distinct, separated both geographically and culturally. However, in 2001 they all shared very large populations, underdeveloped economies, and governments that were willing to embrace global markets and globalisation. Based on these characteristics, O'Neil believed that they all had the potential for rapid growth in the future (Tett, 2010).

Thereafter, a label for the grouping was established. Initially, O'Neil wanted to put China first in an acronym called 'CRIBS' since it was the largest of the four countries. However, because the word is linked to babies and would be patronising, he decided to name the group BRIC (Kowitt, 2009).

On 30 November 2001, Goldman Sachs's launched paper #66 *Global Economic Power Building Better Global Economic BRICs*, which made a prediction that over the next 10 years, the weight of BRICs and especially China's GDP would grow. The paper also warned that world policymaking forums should be reorganised to give more power to the group (O'Neil, 2001). By 2039, the group could overtake the largest western economies by scale which generated significant interest.

Most of the BRIC and N11 countries which Goldman Sachs Global Economics Department (2007) identified (Bangladesh, Egypt, Indonesia, Iran, Korea, Mexico, Nigeria, Pakistan, Philippines, Turkey and Vietnam) could rival the Group of 7 (G7) (namely Canada, France, Germany, Italy, Japan, USA and the United Kingdom). HM Treasury (2013) defined the N11 as an informal forum of countries representing around half of the global economic input and stated that, even if they lack the scale to become the next BRICS, their economies were growing, their banking systems were all intact, and they emerged well from the 2007/2008 financial crisis in comparison to western economies (Tett, 2010). Furthermore, Goldman Sachs predicted that China's economy will match that of the United States by 2027, which is a decade earlier than the previous forecast.

Yet, the different reactions of the four countries in the early years of BRIC formation should also be considered. Russia was ecstatic, Brazil cynical, China bewildered, and India was indifferent (Cameron, 2011). It was noted by GEGAfrica (2013) that from the period of 2001 to 2006, the idea of institutionalising BRICs was floated, but the group never formalised.

Furthermore, since the BRIC countries gained strength from economic reform processes, a few milestones materialised between 2001 and 2008. Some of the most important milestones achieved during this period include China joining the World Trade Organisation (WTO) and opening up a process of modernisation of its industries and services in 2001; Brazil initiating a period of unprecedented economic prosperity in 2003; China overtaking Germany as the third-largest economy in 2007; and Brazil joining China and the Persian Gulf states by becoming a global creditor for the first time, as well as introducing a sovereign wealth fund to invest excess capital in 2008 (GEGAfrica, 2013).

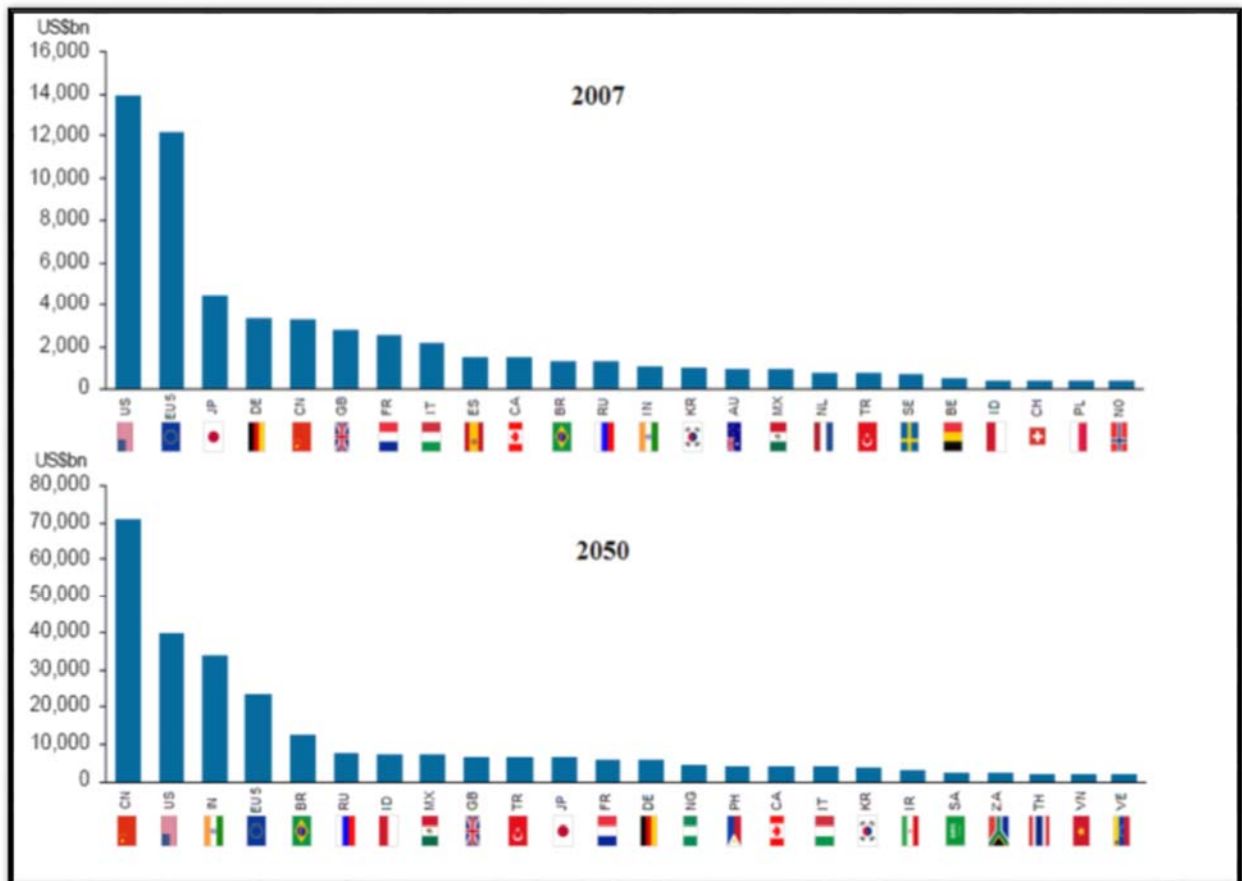
In September 2006, the first meeting of the BRIC foreign ministers took place as a side event to the 61<sup>st</sup> UN General Assembly in New York, which was considered the first step to formulate the group. This was followed by several other meetings and at the third meeting, it was decided to boost co-operation between the BRIC countries. The main goal was to establish a greater 'democratic international system founded on the rule of law and multilateral diplomacy' (GEGAfrica, 2013:1). However, the immediate focus was to ease the burden of rising global food prices. Brazil, Russia, India, and China decided to work together as a group as well as with other countries in order to strengthen international security and stability.

Thereafter, BRIC leaders held the first summit in Yekaterinburg, Russia on 16 June 2009, where the move towards the formalisation of the group was concretised in order to strive for a more 'democratic and multipolar world based on the rule of international law, equality, mutual respect, co-operation, co-ordinated action, and collective decision making of all states' (GEGAfrica, 2013:1). The countries decided to convert the investment ideas into a reality and forge links between BRIC in an effort to meet global challenges, especially those faced by emerging economies, as well as meeting economic needs such as investment in infrastructure development, consumption, and increased trade (Provincial Treasury Republic of South Africa, 2013).

An equally significant discussion at the first summit was increased efficiency of coordination of relationships to gain greater influence and seek alternatives to the dollar (Tett, 2010). Subsequently, the second summit was held in Brazil in 2010 where the leaders reiterated the need for closer cooperation, reform of international financial institutions, and the need to protect the interest of emerging economies (Ministry of External affairs, 2011). South Africa was also invited to join the BRIC grouping on 24 December 2010 (South African Government Information, 2013). Therefore, the label previously known as 'BRIC' was now extended to 'BRICS'. South Africa joined the bloc as the 'jeweller of the world' and the 'gateway to Africa' (Provincial Treasury Republic of South Africa, 2013:5). The first summit after the inclusion of South Africa in the grouping was held in 2011 in China with the theme being 'Broad vision and shared prosperity' (Ministry of External Affairs: 2011:1). The fourth BRICS summit took place in India in 2012 and the theme was 'BRICS partnership for Global Stability, Security and Prosperity' (Ministry of Foreign Affairs, 2012, para 1) (Ministry of External Affairs:1).

South Africa's erstwhile President Jacob Zuma (Watts, 2013) hosted the fifth BRICS summit which was held on the 26th to 27th of March 2013, at Durban International Convention Centre (ICC), completing the first cycle of the BRICS summits (Josh, 2013). The theme for the BRICS conference was 'BRICS and Africa - partnerships for development, integration and industrialisation'.

Figure 1.1 depicts a recent forecast of the world ranking of the biggest economies in the year 2050. As seen below, China ranks fifth, followed by Brazil in position 11, closely followed by Russia in 12<sup>th</sup> position and India in 13<sup>th</sup> position in 2007. The figure also highlights that South Africa was not amongst the top ranked countries in 2007 which further questions whether the country contributes to BRICS. However, China is forecasted to be ranked in first position by 2050, India 3<sup>rd</sup>, Brazil 5<sup>th</sup>, Russia 6<sup>th</sup>, and South Africa in 21<sup>st</sup> position. This emphasises that South Africa's growth is forecasted to grow tremendously by 2050, in contrast to the growth in previous years.



**Figure 1.1: World ranking of the biggest economies**

Source: Globalsherpa (2011).

### 1.2.2. Latest advancements in BRICS

The promotion of Africa's infrastructure development, the establishment of a BRICS-led development bank, a BRICS think-tank, and a BRICS business council were the key objectives of the fifth summit (Provisional Treasury Republic of South Africa, 2013).

The action plan and declaration by the leaders of the BRICS countries emphasised that the first objective will be achieved by encouraging foreign direct investment, the exchange of knowledge, capacity-building, diversification of imports from Africa through the development of the Program for Infrastructure Development in Africa (PIDA), the AU NEPAD Africa Action Plan (2010 - 2015), the Presidential Infrastructure Championing Initiative (PICl), and the Regional Infrastructure Development Master Plans that have identified crucial infrastructure development projects aimed to boost regional integration and industrialisation. Furthermore, the leaders will promote infrastructure investment on the basis of mutual benefit to aid industrial development, job-creation, skills development, food



and nutrition security, poverty reduction, and sustainable development in Africa (Xinhua, 2013).

The BRICS bank head office is located in the financial district of Shanghai, China (Yiyao, 2015). The BRICS development bank aims to compete with the existing Bretton Woods institutions such as the World Bank (WB) and the International Monetary Fund (IMF) (Kenya the African Executive, 2013). This bank was proposed due to the irritation among emerging nations who were of the opinion that the WB and IMF mainly reflect the interests of developed nations (Reuters, 2013). The goal in the establishment of the bank is to decrease the frustration that developing countries have in obtaining loans, bids, and financial-aid from Bretton Woods Institutions (Provisional Treasury Republic of South Africa, 2013:10). A joint statement by the BRICS nations stated that 'the initial contribution to the bank should be substantial and sufficient for the bank to be effective in financing infrastructure' (Globalpost, 2013:1).

With regard to the BRICS think tank, South Africa's Human Science and Research Council (HSRC) was given the responsibility of growing the South African BRICS Think Tank, which is aimed at being equivalent to the BRICS think tanks already established in the various member countries (Watts, 2013). The purpose of this initiative is to supply a forum for discussion among academics, policy makers, and non-governmental organisations on the BRICS development strategy that will enable member states to cooperate on policy research and analysis (Watts, 2013).

The final objective was the formulation of a permanent business council consisting of the five BRICS members, featuring over 900 business professionals tasked with the function of the implementation of multilateral investment projects as well as the formation of the BRICS development bank (Watts, 2013).

Additionally, the leaders of the BRICS grouping decided to establish a Contingency Reserve Arrangement (CRA) with an initial value of \$100 billion (BRICS, 2013). China was expected to contribute \$41 billion, while Brazil, Russia and India \$18 billion and South Africa \$5 billion to this arrangement (Stuenkel, 2013). The CRA will protect BRICS countries against short-term liquidity pressures and help strengthen financial stability (BRICS, 2013). Thus, the arrangement will only begin to operate in moments of crisis (Stuenkel,

2013). This will, in essence, reduce the BRICS member's reliance on the IMF (Provisional Treasury Republic of South Africa, 2013).

Various other deals were concluded at the summit including an arrangement between Transnet and the Chinese Development Bank involving a loan of R5 billion to finance upgrades at rail and network ports (Provisional Treasury Republic of South Africa, 2013). Brazil and China also signed a currency swap of \$30 billion which aims to smooth trade between the two countries despite changes in global financial conditions. Therefore, due to the currency swap, the countries will still have credit from their largest international partner if there were shocks to the global financial market and credit shortages. (BBC News, 2013).

### **1.2.3. Objectives of BRICS after the 2013 Summit**

Following the 2013 summit, BRICS members agreed to coordinate their positions on common interests, international issues and reached a consensus to support the United Nations leading role in addressing global challenges and threats. In addition, the BRICS leaders formed an action plan on increased collaboration in nearly twenty fields such as finance, economy and trade, technology, health, agriculture, people-to-people, and culture change (Hoyi, 2013).

According to Hoyi (2013) the BRICS grouping's most recent objectives aimed at improving global economic governance, reforming international monetary and financial systems, and increasing the representation and voice of emerging markets and developing countries. The fifth summit emphasised the importance of developing emerging countries, safeguarding food and energy security, and stabilising commodity prices.

### **1.3. Problem statement**

The chair of Goldman Sach's Asset Management, Jim O'Neil predicted that BRICS will be considered one of the leading economies of 2020. In his opinion, the Fiscal Cliff and the Eurozone crisis are considered irrelevant in comparison to the importance of the developing world in the future (Copper, 2013).

The confusion arises from the fact that South Africa has crept into the group, by claiming to be a representative of the world's emerging markets for Africa. Moreover, some analysts such as Duncan Clarke, an economist and chief executive of Global Pacific & Partners, did

not welcome the inclusion of South Africa in the BRICS group due to the view that South Africa is in essence a 'briquette' as well as a declining economic power in Africa (Smith, 2013).

Subsequently, Jim O'Neil, the man credited with the BRIC acronym, has long contended that South Africa's population is too small for BRIC status (Davies, 2013). Simultaneously, he outlined that Goldman Sachs N-11 being the next 11 emerging economies, which includes both Nigeria and Egypt. For this reason, he suggested that the country with real potential is Nigeria. Conversely, although South Africa in GDP and demographic terms fails to meet BRIC requirements, there is not a single criterion for BRICS membership.

Taking into consideration the contention that the South African population is too small for BRICS status, the fact that it is not listed among Goldman Sachs N-11 emerging economies (Davies, 2013), and the view that South Africa is a declining economic power in Africa (The Guardian, 2013), the question arises whether South Africa is the right choice to represent Africa in BRICS. Davies, the chief executive of Frontier Advisory argues that the 'S' in BRICS should represent the Southern African Development community (SADC), which has a market of over 250 million people, larger than both that of Brazil and Russia (South African Government News Agency, 2011).

#### **1.4. Research questions**

Based on the problem statement the following primary research questions are examined:

##### **1.4.1. Why should South Africa be in BRICS?**

As we have seen, O'Neil outlined that South Africa should not be a BRICs member, as it is not in Goldman Sachs N-11. He argued that the country in Africa with real potential is Nigeria since South Africa does not have enough people in its working population (Reuters, 2013).

Disputing the above, Catherine Grant from the South African Institute of International Affairs argues that South Africa is not a B-list celebrity gate crashing an A-List party since the size of the economy was only considered a factor when BRIC was an investment construct by O'Neil, but it is now a political rather than an economic grouping. Furthermore, she indicated support for South Africa's inclusion since the grouping previously lacked credibility and

representation of the global south (Beatty, 2013). This study will investigate whether these two comments mentioned above are true and fair.

#### **1.4.2. What can South Africa contribute to BRICS?**

Given that South Africa is one of the African continent's largest economies and already part of the G-29, it may be able to argue representation of Africa's interest. This study investigates what South Africa and Africa together contribute to BRICS (Reuters, 2013).

### **1.5. Research objective**

The primary and secondary research objectives are drawn from the research questions:

#### **1.5.1. Primary objective**

The primary objective of this study was to investigate whether South Africa should be included in BRICS, taking into account that the country represents the whole of Africa.

#### **1.5.2. Secondary objectives**

Based on the primary objective, the secondary research objectives of the study are as follows:

- To establish the reasons for the establishment of BRICS in order to determine if South Africa meets their establishment criteria.
- To determine why South Africa is the best country of choice in Africa to be included as a member BRICS.
- To identify areas of improvement for South Africa to be included as a member of BRICS.
- To identify both the advantages and disadvantages of South Africa being a member of BRICS.

### **1.6. Significance of the study**

This study aims to contribute to South Africa's development within the BRICS grouping. South Africa could determine what actions need to be taken to benefit from BRICS as well as improve on any weaknesses of being a member of BRICS. Alternatively, the BRICS

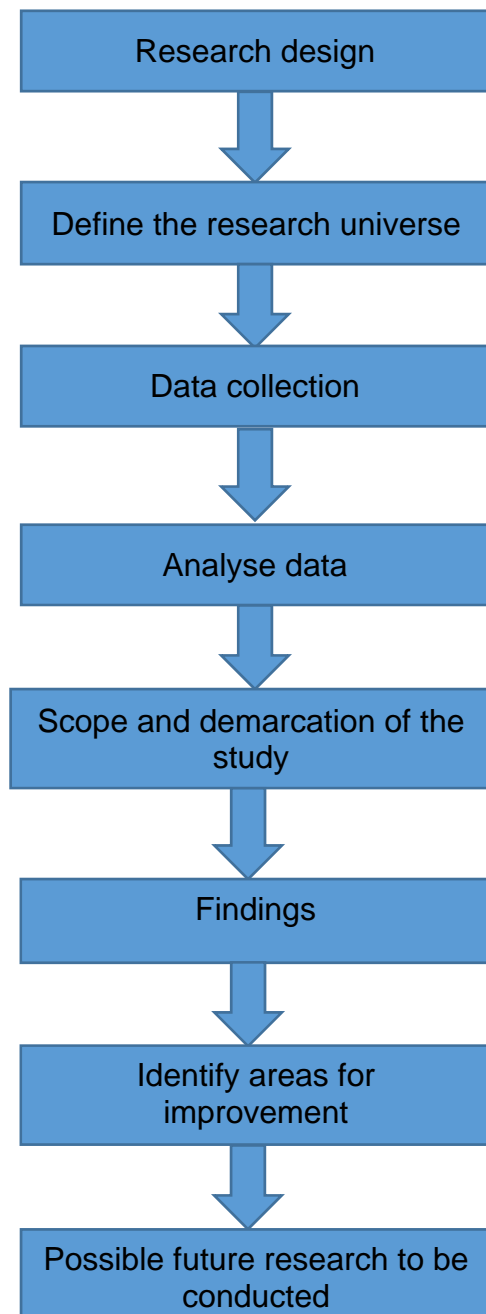
countries could also utilise this study to capture the full potential of South Africa who represents the whole of Africa to benefit the grouping.

This study aims to emphasise that the continent of Africa should co-ordinate its relationships with South Africa, and cooperate with regard to future proposals and development plans in order to assist South Africa's development and in essence Africa's growth and development.

The BRICS countries, development bank, businesses, governments, consumers, and lenders may utilise the outcomes of the study to gain insight into ways in which BRICS may be improved as well as the benefits of the grouping maximised by all parties.

### **1.7. Research design and methodology**

In order to achieve the objectives of this study, the research methodology as illustrated in Figure 1.2 will be followed, the research designed and methodology are discussed in details in Chapter 4.



**Figure 1.2: Research methodology framework**

Source: Own compilation (2014).

### **1.7.1. Research design**

To achieve the research objectives of any study there needs to be a research design (Saunders, Lewis & Thornbill, 2007) that deals with a logical problem and not a logistical problem (Yin, 1989). The research design needs to assist the primary objective of the study, which is to investigate whether South Africa should be included as a BRICS member taking

into account that South Africa represents the whole of Africa. The research design for this study is described below:

- **Primary data**

Primary data will be collected by conducting semi-structured interviews and also by making use of self-administered questionnaires. Individuals will be interviewed from the World Bank and International Monetary Fund, and various other professionals in order to obtain the practical viewpoint of experts who have knowledge of the BRICS development bank and an understanding of BRICS in general. This data will be collected from first-hand experience. The data has not been published yet and is considered reliable and objective. The information is necessary to cover the main objective of the study as outlined in section 1.5.

- **Secondary data**

This data will be obtained from books, journals, periodicals, and various references in combination with the primary data in some instances.

## **1.7.2. Defining the research universe**

### **1.7.2.1. Population and sample**

When making use of an online survey, the highest risk is a low response rate (Sivo, et al., 2004). Furthermore, a specific demographical variable is required to select candidates that are involved in BRICS, or written articles on BRICS, or employees from the IMF and World Bank who will have sufficient BRICS knowledge to complete the survey. In order to reach the greatest number of participants and minimise the risk of a low response rate, a mixture of the following four options was explored.

- The first option was to obtain permission to interview selected employees in the IMF and World Bank.
- The second option was to require permission to obtain the names of employees to do a stratified random sampling within the target population from various banks and industries. Stratified Sampling occurs when the population is divided into subgroups, such that each unit belongs to a single stratum and then units are selected from those subgroups (Teddle & Yu, 2007)

- The third option was to obtain permission to interview targeted employees of the specific departments at various banks within South Africa and industries either face to face, telephonically or electronically, whichever suits each individual. However, there was no guarantee that the specific departments will be the same across the various companies.
- The fourth option was to obtain permission to get a list of staff within a specific department(s) to conduct a stratified random sampling in order to draw random samples. The possibility of making use of different departments across the different companies of South Africa could introduce bias, however, data was analysed and interpreted in context of this limitation.

Regarding the sample size of the population, on the one hand, larger samples tend to be more representative of the target population and increase the statistical power of the study. On the other hand, larger samples can also decrease the quality of the research study, particularly for experimental and quasi experimental designs (Korb, 2012). The experimental method is defined as a systematic and scientific approach to research whereby the researcher manipulates one or more variables and controls and measures any change in other variables (Blakstad, 2008). The quasi-experimental design involves selecting groups and testing a variable without any random pre-selection process (Shuttleworth, 2008).

This study is considered a quasi-experimental approach as no random selection method was applied as individuals with knowledge of BRICS were targeted. For example, if there are many participants, the quality of the treatment each individual receives suffers, resulting in inaccurate conclusions and the problem of overpopulation. This reduces the impact of the research should be avoided (Korb, 2012). Korb (2012) noted that in general descriptive designs require at least 100 participants, correlation designs require at least 30 participants, and experimental, quasi-experimental, and casual comparative designs require at least 15 participants. Given that this study utilised the quasi-experimental approach and aimed at targeting experienced participants with knowledge of BRICS, the sample size included fifty(50) participants. Considering the above, the size is considered sufficient and above the requirement of 15 participants (Korb, 2012).

### **1.7.3. Data collection**

The semi-structured interviews were conducted with the employees face-to-face, telephonically, or electronically, depending on the participant's preference. Participants were



given ample time to complete the electronic format, if chosen. Data was collected via completed web based questionnaires and captured using Microsoft Excel.

#### **1.7.4. Analysing data**

The quantitative data obtained from the semi-structured interviews and questionnaires was analysed by a qualified statistician. In contrast, qualitative research results in large amounts of detail, which must be reduced to represent the major phenomenon of the findings (Woods, 2011). The researcher, thus, utilised an inductive approach which condenses raw data into a brief format, establishes clear links between the evaluation of research objectives and the summary findings derived from the raw data, and develops a framework of underlying structure or processes that are evident from the findings to analyse the qualitative data (Thomas, 2014).

In addition to the inductive approach, thematic analysis defined as a conventional practice in qualitative research, which involves analysing data to identify any recurrent patterns and themes was applied. A theme is a cluster of linked categories with similar meanings and usually emerges through an inductive process (Subvita, 2010). The questionnaire consisted of 15 questions and was divided into five qualitative open-ended questions set out in a prearranged order, which is referred to as structural data collection (Cooper & Schindler, 2011). There were also ten quantitative questions based on multiple choice questions using the six-point Likert-type scale to rate items, ranging from 1=strongly disagree to 6=strongly agree (Kaptein, 2008:928). Please refer to the questionnaire attached in Appendix B.

The data obtained was presented as follows:

- The first set of data summarised the overall opinion of whether South Africa should be part of BRICS.
- The contributions South Africa can make to BRICS were analysed and summarised.
- The reasoning for South Africa being chosen in comparison to other countries in Africa and which other countries could compete with South Africa was also summarised and analysed.

- Improvements South Africa can implement in order to fulfil its BRICS membership status were analysed.
- The advantages and disadvantages of South Africa being a BRICS member were also highlighted.

## **1.8. Scope and demarcation of the study**

### **1.8.1. Limitations of the study**

The researcher anticipated a number of challenges when conducting this study, such as lack of access to individuals with knowledge of BRICS since numerous individuals had changed their relative contact details. The expert's fear of exposing potential ideas on future research proposals may have limited the study.

### **1.8.2. Delimitations of the study**

A demarcation of the study included restricting the target population to individuals considered to possess knowledge of BRICS. This aims to gain deeper insight to the research question as well as avoid misleading answers from individuals who have no knowledge of BRICS. Moreover, this strives to increase the effectiveness of the research and avoid use of the not applicable answer in close-ended questions given the small target population of 30 individuals.

## **1.9. Research ethics**

There are a number of ethical principles that should be taken into account when performing research that stress the need to do good known as beneficence and do no harm known as non-maleficence. The principles include obtaining informed consent from potential research participants, minimising the risk of harm to participants, protecting their anonymity and confidentiality, avoiding the use of deceptive practices, and giving participants the right to withdraw from the research (Laerd, 2012).

Participants were given information in the form of a cover letter that adequately explained the details of the research and provided the researcher's contact details should they have any further questions or concerns related to the research. Participants were given the opportunity to refuse participation or withdraw their consent to take part in the questionnaire

at any point in time during the research process. In the case where a participant chooses to withdraw, all the data obtained from that particular participant was discarded. Participants were asked to give their consent, which allowed them to continue in the research process.

The study assured privacy, anonymity, and confidentiality of the data obtained as well as the participant's and company's identity. No information, data, or any other detail that may lead to the identification of the particular company was mentioned or included in the study. Moreover, the participants were provided with the purpose statement of the research, the risks and benefits of the questionnaire, the nature of the questions, the methods of study, the participants' role in the research, the identification of the researcher, the reason the participant was selected, and how the information obtained will be used.

The study adhered to the relevant ethical clearance process at the University of South Africa (UNISA), and obtained permission to conduct the research, maintained the anonymity of all the various company's used in the questionnaire and the anonymity of all participants and their answers, as well as the confidentiality of data. Therefore, the principles were met to ensure that the study was conducted in an ethical way in all areas of research to this study.

### **1.10. Structure of the study**

The chapters in the study will be structured as follows:

#### **Chapter one: Introduction**

This chapter is an introduction to the proposed study. It addresses the background and history of the study, the problem statement, research questions, research objectives, literature review, and the research methodology.

#### **Chapter two: Literature review**

This chapter provides a literature review of the BRICS grouping and the significance of the grouping.

### **Chapter three: Research conducted**

This chapter deals with whether South Africa contributes to BRICS or reduces the capacity of the grouping.

### **Chapter four: Research design and methodology**

This will cover the procedure that was undertaken in the study to achieve the objectives of the research. This includes the research design, research universe, and how the data was obtained for the research.

### **Chapter five: Presentation and analysis of the findings**

The chapter provides the summary of the results making use of tables, figures, graphs and participant's direct quotations, which will be presented in the findings. The chapter also covers the analysis and interpretation of the findings in the study.

### **Chapter six: Recommendations and summary**

Recommendations are made in this chapter based on the findings from the research. This includes suggested improvements for BRICS members in order to strengthen BRICS as a whole. This chapter concludes the study and summarises the importance of South Africa as a BRICS member compared to other countries.

## **1.11. Conclusion**

This chapter provided an introduction and an outline of this study. It highlights the question 'Does South Africa deserve to be a BRICS member?' A problem statement was formulated which outlined that when this statement was made South Africa was viewed as an individual country, not taking into account that South Africa represents the whole of Africa. Based on the problem statement, objectives were determined.

Data of all BRICS countries and Africa have been selected to be analysed for this study. In order to accomplish the goal of this study, the research methodology was formalised which includes an overview of the research design, the research universe, how the data will be collected and analysed, and the findings and recommendations.

The literature review in the next chapter covers all concepts related to BRICS, the relevance of the acronym, and the reasons South Africa was included in BRICS.

## **CHAPTER 2: LITERATURE REVIEW ON BRICS**

### **2.1. Introduction**

The previous chapter explained the reasoning for the establishment of the grouping and the rationale for South Africa's inclusion, given the benefits and costs of the countries' insertion into BRICS, together with an analysis of whether South Africa deserves to be a BRICS member.

This is crucial to the premise of O'Neil's hypothesis of the BRICS concept because he emphasised that South Africa's inclusion into the grouping weakens the dynamics of BRIC. He asserts that with a population of approximately 50 million and GDP of \$364 billion, it is considered too small to meet Goldman Sachs criteria of a growth market. Moreover, it is far from being regarded as one of the top 20 largest economies (Naidoo, 2012).

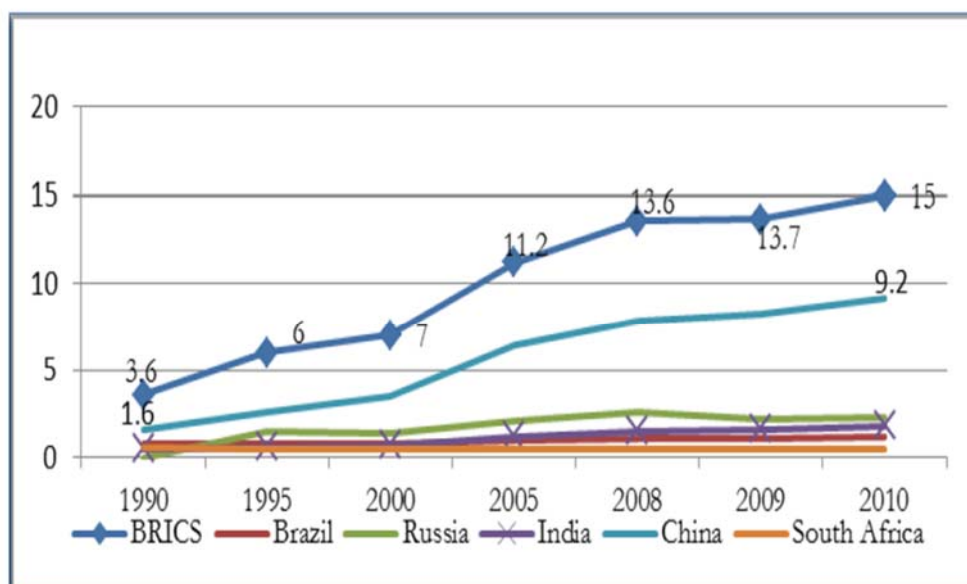
The purpose of this chapter is firstly to review BRICS and the concepts related to BRICS, as these form the fundamentals of the principle. The relevance of the acronym is then introduced. Thereafter, the formation and significance of BRICS is discussed.

The chapter then focuses on the commonalities and differences of the BRICS countries, taking into account that they are all regional leaders in emerging markets with a common vision that has gained recognition in the global economy. The strengths and weaknesses of each of the BRICS members are noted as well as the major differences between the countries, as well as recommendations on overcoming these problems and the various challenges faced by member countries.

The chapter concludes with BRICS' GDP and investment in the world economy and lastly discusses international relations of various competitive organisations with BRICS.

#### **2.1.1. How BRICS was formed**

The BRIC acronym originated from the Goldman Sachs paper 'Building better Global Economic BRICS' in 2001 (O'Neil, 2001) which comprises of an economic modelling exercise over the next half-century to forecast trends in BRICS' share in the global trade percentage, which is demonstrated in Figure 2.1.



Source: UNCTAD, adapted from *The BRICS Report 2012*. India: Oxford University Press, 2012.

**Figure 2.1: Trend in BRICS share in global trade percentage 1990 - 2010**

The table displays how the BRICS economy has grown since 2000 - 2010 in comparison to the individual countries. These findings imply that China experienced the highest increase in growth rate over the given period, followed by Russia. India, Brazil and South Africa exhibited relatively similar growth trends. It is clear, however, that South Africa exhibited the lowest increase in growth rates with a proportionally stable trend over the horizon. Overall, the combined BRICS economy grew dramatically from 3.6% to 15%. The main conclusion was that the countries would collectively play an increasingly important role in the global economy (GEGAfrica, 2013).

Furthermore, the paper also analysed BRIC characteristics such as gross domestic product (GDP) and purchasing power parity (PPP) of the countries in 2000. Table 2.2 shows the actual GDP and PPP of the BRIC countries in 2000.

**Table 2.1: BRIC in 2000**

Country	GDP <sup>a</sup> (PPP); <sup>b</sup> 2000 \$ bn	Share of world total (%)	GDP (current prices); 2000 \$ bn	Share of world total (%)	Difference in share (PPP- current)	Population (mn)	GDP per capita (current price)
Brazil	1,214	2.92	588	1.96	0.97	167.72	3,507
Russia	1,120	2.7	247	0.82	1.88	145.49	1,696
India	2,104	5.06	474	1.58	3.49	1,002.14	473
China	5,230	12.59	1,080	3.59	9.00	1,266.80	852
<sup>a</sup> GDP represents gross domestic product. <sup>b</sup> PPP represents purchasing power parity. Source: Goldman Sachs, Building Better Global Economic BRICs, Global Economics, 66, 2001, <a href="http://www.goldmansachs.com/our-thinking/topics/brics/brics-reports-pdfs/build-better-brics.pdf">http://www.goldmansachs.com/our-thinking/topics/brics/brics-reports-pdfs/build-better-brics.pdf</a> .							

Source: Bric in 2000 (O'Neil, 2001)

The table indicated that China had the highest GDP at current prices, PPP, share of the world total percentage, difference in share PPP and current PPP, and population. However, China demonstrated the second lowest GDP per capita ahead of India when the population is taken into account. India depicted the second highest GDP, PPP, and share of world total percentage, however fell behind Brazil in terms of current GDP prices and share of world percentage. Although Russia experienced the second highest GDP per capita behind Brazil, it depicted the lowest figures in comparison to BRIC members. Results from the analysis indicated that world policymaking forums should be reorganised and the G7 should be adjusted to incorporate BRIC representatives (O'Neil, 2001).

#### 2.1.1.1. Growth rate

The contribution that O'Neil has made also developed from a second Goldman Sachs paper namely, 'Dreaming with BRICs: The Path to 2050' (O'Neil, 2003:1). The findings suggested that 'in less than 40 years, the BRIC economies together could be larger than the G-6 in US dollar terms and by 2025 they could be over half the size of the G6' (Singh & Dube, 2012:5). The study also predicted that individuals in the BRICs are still likely to be poorer on average than individuals in the G6, with the exception of Russia (O'Neil, 2003).

Moreover, the research proposed that countries' potential to obtain higher growth rates occur when developing countries have less capital per worker than developed economies



causing return on capital to be higher and the given investment rate results in higher growth in capital stock. Developing countries may also achieve higher growth rates by using technologies available in more developed countries to 'catch up' with developed countries techniques (O'Neil, 2003). Countries can also grow richer when currencies appreciate. In addition, Goldman Sachs (O'Neil, 2003) state that the core factors for growth are macroeconomic stability, institutional capacity, openness, and education, which the BRIC countries would need to accomplish to grow.

#### **2.1.1.2. South Africa is the largest economy in Africa**

With Asia, Europe, and Latin America represented in the BRICs profile, there was no representative of Africa, which showed potential. The second paper therefore also considered South Africa, which in 2003 was the largest economy in Africa (O'Neil, 2003). Yet, Nigeria, Africa's most populous country, emerged as the strongest economy in Africa three years ago (AllAfrica, 2017). Following the recalculation of South Africa's GDP, Nigeria lost the position of Africa's largest economy in August 2016. A recent report issued by the International Monetary Fund (IMF) in October 2016, however, projected Nigeria as Africa's largest economy, despite challenges (ThisDay, 2016).

Goldman Sachs's, utilising the same components of growth introduced in the previous section, namely employment growth, capital stock growth, and technical progress to underpin the methodology of the analysis. The paper highlights that achieving the right conditions for growth is vital for all members of the grouping. Furthermore, the findings emphasised that South Africa may achieve 5% growth over the next decade if the right policies were put in place (O'Neil, 2003).

Likewise, various challenges faced by the African continent were reviewed in the second paper. The effects of South Africa and Africa's challenge of AIDS on the labour force and population were also taken into account. The study concluded that South Africa's economy would be significantly smaller than the BRICs in 2050, but its projected GDP per capita would actually be higher (O'Neil, 2003).

#### **2.1.1.3. Changes in world economy**

Both papers anticipated that over the next 50 years, the changes in the world economy may be substantial. It must be noted that by the time Goldman Sachs coined the idea of BRICs,

major structural changes were already taking place in the BRIC countries, which could have played a vital role in the predictions of the papers (GEGAfrica, 2013).

In the late 1980s, Brazil had put in place an economic stabilisation plan to reverse hyperinflation and boost privatisation. In the early 1990s, India introduced sweeping economic reform, while China had undertaken economic reforms in the early 1980s and again in the early 1990s allowing it to emerge unscathed from the Asian economic crisis. Russia had also started developing structural reform strategies to regain their lost economic status (Duggan, 2015).

Taking into account the challenges faced by these countries, especially political and economic instability, the forecasts assumed that the structural reform processes launched by these countries would be sustained. The hypothesis additionally assumed that the BRIC countries would maintain policies and develop intuitions that supported growth (GEGAfrica, 2013).

#### **2.1.1.4. BRICS has no analogues**

The BRIC acronym startled many people as visualising a group of countries from different continents created due to the fact that an analyst decides certain attributes are shared such as potential future growth and forms an acronym from their names (Ghosh, 2013). Kornegay and Bohler-Muller (2013) moreover highlight that the history of world politics provides numerous examples of how international institutions emerged and developed; BRICS, however has no analogies. The study also suggested that the acronym was coined for commercial interests, namely to draw attention to emerging markets. As a result, the acronym not only captured the attention of the global financial community and mainstream media, but the policy-makers of the respective countries (Ghosh, 2013).

#### **2.1.1.5. Foreign investment and media perceptions**

Although geographically separated, economically and politically distinct, with different levels of development, the countries began to see themselves as a group largely due to foreign investor and media perceptions. The countries also demonstrated strong economic ties at the time. Various studies suggest despite the strange origins and crucial challenges confronting the group, the bloc of countries that has emerged into the international arena

under the acronym BRICS has the potential for being a positive force in world affairs (Ghosh, 2013).

#### **2.1.1.6. Political reality**

Although Goldman Sachs (2001) attempted to establish a trademark for BRICS, it was not possible as the grouping is not considered a product (Tett, 2010). A Russian analyst in contrast maintained that BRICS has become a 'self-fulfilling prophecy' and has 'emerged as a virtual reality', considered as a list of fast developing economies despite demonstrating few commonalities. Yet, he also emphasised that anything that has a name exists. Over time, BRICS has begun to transform into a political reality (Tett, 2010).

#### **2.1.1.7. Breakaway from the northern axis**

China, India, Brazil, and Russia are driven not only by the size of their economies, but their potential to influence international relations. The countries' wide range of military and political resources increases their capacity to shape the international order (GEGAfrica, 2013). It is clear, therefore, that BRICS is one of several new initiatives to break out of the Northern axis (Ghosh, 2013). The Russian Foreign Minister, Sergei Lavrov, classified the grouping as a new model of global relations overriding the old east-west or north-south barriers, thus one of the most significant geopolitical events since the beginning of the new century (Alpert, 2012).

#### **2.1.1.8. Each BRIC member provides resources**

Vladimir Putin's keynote article on foreign policy emphasised that BRICS brings together five countries with a population of almost three billion people, the largest emerging economies, domestic markets, colossal labour, and natural resources. With the addition of South Africa, BRICS acquired a 'truly global format', and it now accounts for more than 25% of the world GDP (Kornegay & Bohler-Muller, 2013).

Every country from BRICS has a specific role in the capitalist world-system. Each of these countries provides resources, which determine their position and function in the system. Brazil is essential for agricultural supplies, China provides cheap labour, India supplies cheap intellectual work force for high tech industries, South Africa provides minerals, and Russia supplies minerals, oil, and gas. The scale and conditions of provision of these

resources for global capital makes each member essential for the current system (BRICS in Africa, 2013).

#### **2.1.1.9. Transition**

Peerenboom (2011) demonstrated that the demise of the Washington Consensus, the fall of the 'American Model', neoliberalism, and the fallout from the economic crisis accelerated the shift toward BRICs and the need for a new international economic architecture to supplement the Bretton Woods edifice. It is clear from the above that a new vision for a more equitable world, combined with feasible development agendas, are urgently needed to ensure global resources and burdens are fairly shared by all. The new order will promote a change in the operation of existing institutions, and the creation of new institutions. Peerenboom (2011) also indicated an increase in the diversity of cultures, religions, worldviews, economies, political regimes, and legal systems as the dominant features of the new multi-polar world.

At the summit in Yekaterinburg, Russia in 2009, Russian President Dmitry Medvedev emphasised the summit's aim to create conditions for developing a fairer world order and complimentary environment for the resolution of global problems. Since the unique structure, created in 2006, is a symbol of the transition from a unipolar world to a more equitable world order, Vladimir Putin's article on foreign policies indicated Russia will continue to prioritise cooperation with BRICS partners (Kornegay & Bohler-Muller, 2013).

#### **2.1.1.10. Political alternatives**

BRICS is not seen as an organisation, but rather a realistic attempt to pool the potential of five countries in order to form a political alternative to increase the grouping's weight in international affairs. The lack of organisational structure enhances both the flexibility and competitiveness of the group (Kornegay & Bohler-Muller, 2013).

Furthermore, since BRICS represents emerging economies it has the potential to be an agent of change or power transition in international affair. From the members' perspective BRICS is already a platform for dialogue and cooperation among member countries. Yet, in order to achieve more political influence, BRICS requires institutions. The goal to develop BRICS into a fully developed mechanism of current and long-term coordination on key political issues was set at the South African Summit (Kakonen, 2013).

The findings conducted by Kakonen (2013) imply that the ability of BRICS to change the international order is connected to the economic prospects and diversity within the grouping. BRICS, however, has since achieved the goal of developing institutions such as the New Development Bank (NDA), which increases the groupings influence on international affairs.

#### **2.1.1.11. New approach**

In addition to the grouping's strange origination previously discussed, it also evokes interest due to the consideration that it is held together and pushed forward by the general situation in the world, rather than the requirements of the member countries. Changes in the economic system are rapid and unpredictable. The west, who are deemed the current leaders, either do not provide solutions that work or produce the opposite effect. This has led to the demand for alternative solutions and fresh approaches to offer a global vision (Kornegay & Bohler-Muller, 2013).

#### **2.1.1.12. Global disclosure monopoly**

Although BRICS does not aim to cause confrontation with the west, members are under the impression that the global disclosure has been monopolised by the west which does not meet the political and economic alignment of forces. Furthermore, it prevents new ideas which can only be found by broad discussions and debates (Kornegay & Bohler-Muller, 2013). The South African Minister of International Relations and Cooperation, in her keynote address to the BRICS Academic Forum, emphasised that the world is experiencing a subtle, yet profound shift from the old focus of political, economic and social power into a multi-polar system, with BRICS countries being the catalysts and drivers of the new approach (Lekaba, 2013).

#### **2.1.1.13. Competition with other organisations**

BRICS leaders have signalled that they do not wish to compete with any country or grouping. The grouping rather aims to transform the former model of cooperation based on a zero sum relationship in favour of more equitable, sustainable global partnerships. The theme that was selected for the 5th summit, namely 'BRICS and Africa: Partnership for Development, Integration and Industrialisation' supported this aim. This approach constitutes a multipolar structure of international relations (Lekaba, 2013).

Moreover, observers of the Development Bank are of the opinion the grouping do not intend on becoming a cohesive, attractive organisation because the West do not want other financial institutions elsewhere in the world to compete for customers and influence. Instead, the Development Bank and other international institutions experience some complementary competition. The competition, thus, should not be mutually exclusive (BRICS Policy Center, 2013).

#### **2.1.1.14. Inspiration for emerging powers to work together**

Developing on the above paragraph, Stuenkel (2013) indicated that there are two alternatives to explain the rise of the BRICS concept. The first perspective is that O'Neil's idea flourished because it merely articulated an already existing drive towards a 'rising power identity' as well as closer cooperation among the grouping. Under this point of view, BRICS would have commenced the summits even if O'Neil had never invented the acronym.

The second hypothesis is that O'Neil not only invented the BRICs term, but also inspired emerging powers to work together to pursue joint positions on relevant global affairs matters (Stuenkel, 2013).

#### **2.1.1.15. Channels of communication built**

The above alternative, therefore, concluded that O'Neil's invention impacted international relations and built channels of communication between countries in the Global South that may have otherwise never have evolved (Steunkel, 2013). These findings imply that both alternatives explain the rise of BRICS since South-South cooperation had already been on the agenda of developing markets policy makers' in the late 1990s. On the other hand, it cannot be denied that the BRIC's idea provided a significant boost to the BRICS summits (Steunkel, 2013).

#### **2.1.1.16. Global shocks**

Globalisation exhibited an increase in international trade flows and higher levels of foreign direct investments, affecting all parts of the world over the past few decades. Since the BRICS economies have proven quite resilient to global shocks due to the flexibility of their product, factor markets, and policy frameworks, the grouping generally benefited from globalisation. In addition, through increased trade and investment linkages, the BRICS have

also increasingly become growth drivers of low income countries (LIC) (Kornegay & Bohler-Muller, 2013).

Since the global financial crisis, the rise of emerging markets represented by BRICS play a vital role on global political and economic events. BRICS newly earned economic power and strengthening of political unity within the group led to the gradual increase of influence in global economic and political affairs. The BRICS as a whole, therefore, are projected to play a large role in pushing forward global economic governance reforms (Wang, 2012).

Nevertheless, BRICS growth rates has slowed down since the North Atlantic banking and Eurozone public debt crisis, especially in Brazil and India, due to lower spending on imports by the US and European economies which is a major source of demand for BRICS exports (Kornegay & Bohler-Muller, 2013). The way BRICS economies recovered from the financial crisis, however, demonstrate strength in macroeconomic fundamentals which underline increasing significance of the group in the new global order (Sharma, 2013).

#### **2.1.1.17. Contemporary challenges**

BRICS responses to the above shocks demonstrate the countries are brought together by their shared capacity to global challenges. BRICS aim to engage with each other, as well as with the rest of the world, in the global quest for meaningful, sustainable solutions to contemporary challenges (Kornegay & Bohler-Muller, 2013).

#### **2.1.2. Significance of BRICS**

The previous section was noted that BRICS has evoked the interest of many becoming a popular acronym, gaining a powerful voice in the conduct of international relations over a short period of time. The relevance of BRICS is explored below (Io Lo & Hiscock, 2014).

Over the last decade the grouping developed innovative means of economic cooperation with emerging economies through increased financial and technical assistance. BRICS has therefore emerged as a protagonist in international development and cooperation (European Parliament, 2012).

Although BRICS is relatively new and it is still evolving, it has projected itself as an independent grouping in a fast changing, rapid world (Io Lo & Hiscock, 2014). BRICS

countries have achieved steady growth by taking advantage of their abundant populations as shown in Table 2.2 and resources (Sharma, 2013).

**Table 2.2: Trend in economically active population (% total population)**

Country	2000	2012	2020+
Brazil	68.1	69.9	69.4
China	77.0	73.9	71.4
India	59.5	55.5	55.1
Russian Federation	61.2	63.2	62.5
South Africa	52.2	52.5	54.3
Total (BRICS)	68.7	65.6	64.0
Total (World)	65.3	64.1	63.6
Share of BRICS in world population	44.8	44.2	43.4
Share of BRICS in world economically active population	47.2	45.3	43.7

**Source:** Adapted from Sharma, (2013)

Table 2.2 displays that China exhibited the highest current and projected growth in population, followed by Brazil, Russia, India and lastly South Africa. The share of BRICS in the world population and the share of BRICS in the world's economically active population were both projected to decrease slightly from 2000 to 2020. Yet, BRICS was projected to have a share in the world economic active population of 43.7% in 2020 which is almost half of the worldwide active population.

#### **2.1.2.1. Global managers of tomorrow**

Unlike the North Atlantic Treaty Organisation (NATO), BRICS is not depicted as a global security group. Unlike the Association of Southeast Asian Nations, (ASEAN) and the bloc consisting of Argentina, Brazil, Paraguay, Uruguay and Venezuela (MERCOSUR), BRICS is not a regional trading bloc. In comparison to the G7, BRICS is not a conglomerate of leading western economies in global governance projections (Saran & Sharan, 2013). BRICS is instead a 21st-century arrangement for the global managers of tomorrow. Members are aware of the importance of collaboration on issues of common interest rather than common ideologies in what Ian Bremmer, president of the Eurasia Group, refers to as a now a near 'G-0 world' (Saran & Sharan, 2013).



#### **2.1.2.2. Rapid economic growth and industrialisation**

Their relevance is noted due to the fact that in the last decade, BRICS has been characterised by rapid economic growth and industrialisation. Despite not having reached the industrialisation level of traditional donors while still being plagued by inequality and poverty, their role has changed from emerging economies that are recipients of aid to becoming significant donors of funds (European Parliament, 2012).

The study conducted by the European Parliament (2012) also demonstrated that South Africa has become the leading economy in Africa, and as such, is expected to lead peace and security efforts, promote regional economic integration, and fund development projects. Likewise, Brazil and India are beginning to exert influence on their less developed neighbours, while China is becoming a major source of foreign direct investment in the emerging world. These changes have given rise to the term 'South-South cooperation', which is not only modifying the relationship between developing countries but also that between developing and industrialised countries.

#### **2.1.2.3. International influence**

Translating economic power into international influence, for instance by changing other's thinking/behaviour, or by contributing to international public goods is tedious, yet BRICS members have been getting more actively involved in world affairs. BRICS countries are regional leaders in maintaining regional security and dealing with economic challenges by either working through regional institutions or coordinating with major external players. Developing countries such as BRICS members have been defined as emerging powers with increasing international influence (Haibin, 2012).

#### **2.1.2.4. Leadership and supporting roles**

The political responses to crises such as nuclear issues in North Korea and Iran, peacekeeping in Haiti, the coup d'état in Honduras, and the separation of the two Sudans have all witnessed the assistance or even leading efforts from the grouping (Haibin, 2012). BRICS members have established strong political and economic linkages with the rest of their relevant region. The grouping, in addition, plays either leadership or supporting roles for regional cooperation (Haibin, 2012). This is yet another indication of the significance of BRICS in our economy.

#### **2.1.2.5. Geographic and demographic dimensions**

BRICS relevance is further demonstrated by geographic and demographic dimensions. The group is influencing global development especially in LIC. Previously, members have promoted stability in trade and investment as well as cushioning the recession in the financial crisis (European Parliament, 2012). It has been acknowledged that BRICS' role came into prominence as a driver of growth during the crisis. The grouping sought to reform local economic governance and created a plan of cooperation and interaction amongst themselves with the intension of building upon the complementarities in their economies, thereby enhancing their influence (Io Lo & Hiscock, 2014).

#### **2.1.3. Commonalities and differences of the BRICS countries**

The previous section relating to the significance of BRICS emphasised that development and cooperation among the grouping is an important driver of evolution for the international political and economic pattern. Currently, the BRICS cooperation mechanisms are still immature with differences such as each country's respective historical, background, development mode and level, and foreign strategy. Given the above differences, the BRICS countries have both conflicting and common interests (Jianguo, 2012). This section will discuss the common interests and the differences of BRICS countries in order to understand why O'Neil grouped the countries as an acronym.

##### **2.1.3.1. Regional leaders with fast growing economies**

The major commonality among the BRICS countries is that they are regional leaders and have fast-growing economies. Despite South Africa's economy not being in the same league as all the other BRICS countries, as well as Nigeria overtaking it as the largest economy in Africa in 2012, it is still considered the second largest economy in the African continent. BRICS countries represent the underdeveloped regions of the world (Singh & Dube, 2012:29).

De Wet (2013) highlights that China is the largest economy in Asia, India the third-largest economy in the continent after Japan, while Brazil holds the same title in South America. Since India, similarly to South Africa is not considered the top regional leader of the continent, it becomes apparent that other factors contribute to being a BRICS member, which are analysed later in the study.

### **2.1.3.2. Emerging markets**

BRICS also share the common thread that they are emerging markets with all the usual opportunities and challenges associated with economies at this stage of development. Apart from the many socioeconomic and political links, the BRICS nations also have very important links via commodity markets as well as through the production and consumption of raw materials (De Wet, 2013). Thus, although BRICS countries come from the north and south hemisphere, east and west, all members face high unemployment levels and strive to improve their manufacturing sectors (Common markets and alliances, 2013).

In addition to the unemployment levels, the countries have much in common in terms of GDP and population levels (Provincial Treasury republic of South Africa, 2013:5). Due to the fact that these are developing countries, they share the common trait that progress is still being made on their capacity to appropriately regulate commerce, protect investors, and promote infrastructure development, as well as balance environmental considerations (Reinke, 2013). The government in each country plays a central role which increases the difficulty of doing business in these economies due to corruption and red tape bureaucracy (Reinke, 2013). Internal challenges common to most members include institutional instability, social inequality, and demographic pressures (Dresen, 2011).

In addition, BRICS share emerging markets commonalities such as expeditious structural changes and refined economic performance in the 21st century. The countries also provide sources of regional demand and production, accumulation of industrial capabilities, regional technical cooperation and South-South technology transfer (United Nations University, 2012). O'Neil stated that he grouped Brazil, Russia, India, and China together due to their potential for majority of the economic growth in the first half of the 21st century based on developing market similarities such as population size, potential markets, and demographics with young populations, decreasing dependency ratios, recent growth rates, and their ability to embrace globalisation (Ghosh, 2013).

### **2.1.3.3. Common vision**

BRICS in essence are united by their common vision, which entails striving to enhance economic growth that will lead to an increase in sustainable jobs created, an advance in the

fight against poverty, and accelerated economic transformation of the individual countries with a more equitable global political and economic system (Ghosh, 2013).

Further adding to these shared goals, BRICS is a flexible group in which collaboration is based on consensus. Common challenges include building more efficient markets, producing sustained growth, creating employment, facilitating access to resources and services, tackling healthcare and urbanisation issues, and striving towards achieving a stable external environment (Saran & Shanra, 2013).

The grouping considers sustaining development as well as preserving security and stability vital. These mutual identities enable the members to share similar opinions on numerous global issues (Kornegay & Bohler-Muller, 2013). Another common interest involves addressing the adverse effects of modernisation (Alpert, 2012). BRICS, moreover, share the objective of resolution of common problems of developing countries in the interests of majority of their citizens (Lekaba, 2013).

#### **2.1.3.4. Recognition within global economy**

BRICS seem to share a common resentment of western dominance. Each country strives to achieve greater recognition in the global economy (Hancock, 2013). This is demonstrated since China has not forgotten the 'century of humiliation' when the country fell behind the superior technology of the west, an imbalance originating from the Opium Wars (Schiavenza, 2013). India still carries heavy colonial baggage, while South Africa carries even heavier baggage from its apartheid past. Therefore, the analogy 'your enemy's enemy is your friend' adds further to BRICS commonalities (Hancock, 2013, para 8).

On the other hand, BRICS governments respect the authority of the United Nations. This is expressed through commitment to state sovereignty, a multi-polar world in which no single country dominates (Weitz, 2011). Incumbents of the group all maintain that countries should be permitted to pursue their own development path, existing economic order should be adapted to support a balanced global economy, and existing global economic governing structures ought to be refined to reflect the world's economic reality (Kornegay & Bohler-Muller, 2013).

Besides these economic concerns, BRICS countries are all suspicious of the use of international sanctions' or 'military intervention' by the west to calm unmanageable nations. These perspectives form the foundation of the group's goals and objectives (Kornegay & Bohler-Muller, 2013). Overall, BRICS view themselves as rising powers, the established countries as declining powers and want to change world order for this reason (Wolf, 2012).

#### 2.1.4. Strengths and weaknesses of BRICS countries

In this section, the underlying strengths and weaknesses of each country are analysed in order to determine factors that the countries individually contribute and withhold from the grouping. This in turn yields insight into the success driving forces, structural deficits, and capabilities of each country, as well as prospects for development and reform capacity in order to become a powerful grouping collectively (SGI, 2011:1). Table 2.2 provides a brief explanation of key strengths and weaknesses of Brazil, Russia, India, China, and South Africa.

**Table 2.3: Key strength and weaknesses of the BRICS countries**

<b>Country</b>	<b>Key Strengths</b>	<b>Key Weaknesses</b>
<b>Brazil</b>	Boasts abundant natural resources (iron ore, hydropower, timber, coffee, soya beans, sugar cane, iron and crude oil).	<ul style="list-style-type: none"> <li>- Lacking economic infrastructure (poor investment in road, rail ports and energy).</li> <li>- Very high lending interest rate (averaging to 16.25%)</li> </ul>
<b>Russia</b>	<ul style="list-style-type: none"> <li>- Has a wealth of natural resources dominated by huge deposits of oil, natural gas, coal and other minerals.</li> <li>- A skilled labour force.</li> <li>- Relative political stability</li> </ul>	<ul style="list-style-type: none"> <li>- Has amongst the lowest investment rates compared to other emerging economies, resulting in industries not being competitive due to obsolete capital equipment.</li> </ul>
<b>India</b>	<ul style="list-style-type: none"> <li>- Strong information and technology sector and service sector.</li> <li>- Has some natural resources (coal, manganese and natural gas)</li> </ul>	<ul style="list-style-type: none"> <li>- Very large public debt as percentage of GDP (<math>\pm 74\%</math>). Debt service costs eroding funds for development spending.</li> </ul>

**Table 2.3 (Continued): Key strength and weaknesses of the BRICS countries**

<b>China</b>	<ul style="list-style-type: none"><li>- Very strong manufacturing base.</li><li>- Industrially competitive.</li><li>- Strong foreign financial investment.</li><li>- Possess large deposits of coal, iron ore, petroleum and natural gas.</li></ul>	<ul style="list-style-type: none"><li>- Environmental issues becoming obstacles to sustainable growth.</li><li>- Increasing income inequality resulting in social tension.</li></ul>
<b>South Africa</b>	<ul style="list-style-type: none"><li>- Abundant deposits of gold, platinum, coal and chromium.</li><li>- Fairly stable political environment.</li><li>- Competitive financial and business service sector.</li></ul>	<ul style="list-style-type: none"><li>- Very high unemployment rate.</li><li>- The insignificance of the country's economy compared to other BRICS members.</li><li>- Rising labour cost. Declining manufacturing sub-sector to GDP</li></ul>

Adapted from Provincial Treasury, Republic of South Africa, (2013:16)

Table 2.3 highlights a common strength shared among the grouping is natural resources. Brazil possesses iron ore, hydropower, timber, coffee, soya beans, sugar cane, iron and crude oil; Russia is endowed with oil, natural gas, coal and other minerals. India contains coal, manganese and natural gas. China boasts large deposits of coal, iron ore, petroleum and natural gas, while South Africa possesses abundant deposits of gold, platinum, coal and chromium.

Russia benefits from political stability and a skilled labour force. India exhibits a strong information, technology, and service sector. China displays signs of industrial competitiveness, a strong manufacturing base, and financial investments. Lastly, South Africa presents a stable political environment with competitive financial and business sectors.

On the downside, Brazil lacks economic infrastructure and low lending interest rates. Russia is plagued with low investment rates resulting in obsolete capital equipment. India exhibits high public debt and debt service costs. China experiences environmental issues with increasing income inequality as a result of social tension. South Africa is small in comparison to BRICS members with high levels of unemployment and labour costs.

The weaknesses are explored further by Professor of Economists and International business at New York City, Roubini (Biztech, 2014). The study proposed that three of the five BRICS, namely Brazil, India, and South Africa form what investors classify as the

'Fragile Five' emerging market economies. Morgan Stanley coined the term to flag emerging markets that have become too dependent on foreign portfolio fund flow (Ren, 2016). These emerging market additionally share weaknesses, such as large current account deficits, large fiscal deficits, falling growth, rising inflation, and political and policy uncertainty (Biztech, 2014).

However, Morgan Stanley's Asia Economist, Chetan Ahya, has since produced a new Fragile Five the morning after the Federal Reserve signalled interest rate hikes in 2017. Three of the original members, being South Africa, Turkey, and Indonesia, were joined by Mexico and Columbia, who replaced India and Brazil. The research highlights that India exhibits low exposure and almost as much safety as South Korea (Ren, 2016). It must be highlighted from the above discussion that South Africa is now the only BRICS member included in the Fragile Five, demonstrating the highest exposure to risk.

Adding to these criticisms, BRICS potential growth rate has decreased due to the inability to implement second generation structural reforms that are micro-based and boost productivity growth (Biztech, 2014). The group also shifted towards a growth regime based on state capitalism with an excessive role in state owned entities. Additionally, BRICS commodity exporters being Russia, Brazil, and South Africa has suffered due to the ending of the commodity super-cycle.

Deterioration of macro policies in Brazil, India, and South Africa, as well as China's credit-fuelled investment has led to a surge in public debt that will burden the banking system. Biztech (2014) also notes that BRICS members especially China and Russia have an ageing population leading to lower growth potential. The study therefore emphasised that due to the rise of emerging economies in recent years, macroeconomic policies have become too weak.

Lastly, he suggested that the grouping may end up in the middle-income trap, failing to progress to a higher trajectory. Factors such as solid institutions, superior governance, and appropriate macro policies, mobility of savings, capital, and labour inputs can lift the economies from a low per-capita income to middle-income status, however the transition into a developed market is harder to accomplish (Biztech, 2014).

Nonetheless, Roubini (Biztech, 2014) is optimistic about BRICS growth potential as firstly, they are all large economies with large populations who still benefit from a demographic dividend. Secondly, despite the delays over the last decade, BRICS may implement structural reforms that increase potential growth, instead of applying state capitalism models. Lastly, most of the macro weaknesses stated above can be amended since numerous secular forces such as urbanisation, industrialisation, and lower per capita income forecasted to level with developed countries per capita income are still in BRICS' favour (Biztech, 2014).

#### **2.1.5. Major differences between BRICS countries**

Although the BRICS term suggests that these countries share commonalities, the differences amongst them are often viewed as much greater (United Nations Development Organisation, 2012). There have been prospects of friction amongst BRICS members since economic goals and past and future political alliance often cause potential conflict. It has been argued that due to the cohesive nature of the group, there is little in terms of political and economic objectives that bind these countries together (Besada, Tok & Winters, 2013).

The most common reason for scepticism regarding BRIC is that countries making up this association are quite different from one another. Therefore, sceptics say, the creation of an alliance based on common values and interests, patterned after NATO or the European Union, is impossible. Since China, India and Russia are competitors for power in Asia, while Brazil and India have been hurt by China's undervalued currency, sceptics believe BRICS is unlikely to become a major political organisation of like-minded economies (Kornegay & Bohler-Muller, 2013).

Conversely, Io Lo and Hiscock (2014) suggest that apart from possessing concrete growth rates and sizeable populations, the points of difference between the BRICS economies make their somewhat arbitrary economic alliance remarkable.

##### **2.1.5.1. Economy**

Evidently, the main difference amongst BRICS is disparity. China's economy is 25% larger than the other four BRICS nations combined and 22 times larger than South Africa (Robertson, 2013). To demonstrate this, hypothetically, China's growth in essence develops a new India every couple of years and a new South Africa every few months (O'Neil, 2013).



China is also the world's largest manufacturer and exporter. In comparison Brazil, Russia and South Africa are reliant on commodity production (Io Lo & Hiscock, 2014). China's GDP is larger than the other BRICS countries put together and its share of foreign direct investment flows, share of world trade, and foreign exchange among the five countries is even greater. It is also the first or second largest trading partner with each of the respective BRICS members (Chaudhuri, 2013).

It is important to note that BRICS countries, which now account for 53% of world population, have recently been hit by falling global demand, lower commodity prices, and corruption. Russia and Brazil have fallen into a recession recently; South Africa managed to avoid the same fate, while China's economy has slowed sharply. At present the impact of the financial crisis is still unfolding. The global economy is therefore still going through a treacherous recovery and adjustments. Numerous countries are applying inward policies. Protectionism is rising and forces against globalisation are threatening emerging markets (Borneo Post, 2016).

Furthermore, newly elected American president Donald Trump has threatened to increase trade barriers with China. Britain's decision to exit the European Union is seen to be detrimental for globalisation. For these reasons, although China's economy has been deteriorating, it is still the second largest economy in the world. However, India is now the fastest growing economy and its GDP is expected to increase by approximately 7.6% in 2016 to 2017 (Borneo Post, 2016).

#### **2.1.5.2. Border tensions and political views**

Equally significant aspects of differences within BRICS are old and new tensions. Border tensions remain between China and Russia, as well as between China and India (Robertson, 2013).

Of equal relevance to border tensions are political differences amongst the grouping. China and Russia are authoritarians of state capitalism practices. India, Brazil and South Africa in contrast are large, fractious democracies. Therefore, political differences amongst BRICS steered India, Brazil, and South Africa to differentiate themselves from the authoritarian China and Russia in their own separate trilateral group, IBSA as a platform for coordinating

positions on several major diplomatic challenges. Therefore, BRICS are very diverse politically, leading to opposing values and interests (Motett, 2013).

#### **2.1.5.3. Commodity prices**

China and India, as consumers, desire lower commodity prices, while Russia, Brazil, and South Africa, as producers, desire higher prices. China and India are commodity importers. In comparison, Brazil, Russia, and South Africa are commodity exporters. Undoubtedly, this leads to obvious tension in values indicating that the countries can do business with each other but they are not natural allies (Wolf, 2012).

#### **2.1.5.4. Income and wealth**

The varying levels of income and wealth is also considered a major difference amongst members. Russia's annual per capita income, adjusted for purchasing-power parity, is approximately \$24,000. On the same basis, Brazil, China, and South Africa have incomes of between \$9,000 and \$12,000 while India is much poorer, at approximately \$4,000 (O'Neil, 2013). Income and wealth differences lead to fluctuating goals. Therefore, each country may have a different goal based on income and wealth levels which could lead to varying objectives within BRICS.

#### **2.1.5.5. International trade**

With regard to international trade, BRICS represents a spectrum of positions (Chaudhuri, 2013). For the relative members, international trade has represented different priorities in growth models (SAIIA, 2014).

International trade has previously been an important element of China's economic policy based on capitalism with a strong state presence. China prioritised the export of goods via state and foreign enterprises and liberalised imports. The country only signalled at the start of 2011 intentions to focus on domestic market economic growth policies. On the other hand, India, Brazil, and South Africa (IBSA) prioritise development of the domestic market, via expansion of demand, controlling inflation with international trade being considered less important. India and South Africa kept their economies closed until 1990, placing greater weight on the importance of international trade thereafter.

Previously, Brazil emphasised international development, yet opened its economy in the late 1980s. For Russia, which is transitioning from a planned economy to a market economy, trade represented the fastest way to reduce dependence on activities related to energy products. Hence, it aims to diversify international trade and boost its economy (SAIIA, 2014). Table 2.4. displays Brazil, Russia, India, China, and South Africa's percentage of economic freedom in 1995, 2000, 2005, 2010, 2015 and 2017. The results indicate all the countries percentage of economic freedom increased from 1995 to 2017. It is important to note South Africa exhibited the highest level of economic freedom, followed by China, Russia, Brazil and lastly India.

**Table 2.4: Percentage of economic freedom**

Country	1995	2000	2005	2010	2015	2017
South Africa	60.7	63.7	62.9	62.8	62.6	62.3
China	52.0	56.4	53.7	51	52.7	57.4
Russia	51.1	51.8	51.3	50.3	52.1	57.1
Brazil	51.4	61.1	61.7	55.6	56.6	52.9
India	45.1	47.4	54.2	53.8	54.6	52.6

Source: Adapted from Index of Economic Freedom, (2017)

Moreover, China, who is competitive in goods, utilises low tariffs for manufactured products. Conversely, India is a protectionist, yet favours free trade in the service industry which is where its strengths lie. In terms of agriculture, India and China are prominent protectionists, whilst Brazil promotes open trade policies. India also applies anti-dumping measures against China's exports. BRICS countries also have a varying policies at the WTO as Brazil, India and South Africa support the idea of an expanded United Nations Security Council, where as Russia and China are against the idea (Chaudhuri, 2013). Therefore, trade protectionism differences and international trade objectives of each relative country hinders further co-operation among the BRICS countries.

#### **2.1.5.6. National security**

Another significant factor to consider is national security since BRICS countries take precautions against one another (Ma, 2015). Chinese enterprises face heavy restrictions on investment in India (Wang, 2012). By the end of 2010 India had initiated 144 anti-dumping investigations against China. India also prohibited domestic sale of China's Xiaomi MI

mobiles (Ma, 2015). China's investments in India, however, have grown tremendously since 2015 following easing of restrictions and favourable tax rates (Mukherjee, 2016). In addition, at the end of 2010, Brazil had also launched 48 anti-dumping investigations against China relating to electro-mechanical, hardware, light and textile industries (Ma, 2015).

As a result, the above demonstrates that most of the BRICS countries previously applied precaution measures against China. National security measures, however, have been declining in recent years.

#### **2.1.5.7. Growth**

BRICS differs with respect to the growth outlook of the individual countries, the effect the global recession had on their economy and future growth potential (Roubini, 2009). The effects of global recession were explored in section 2.1.1.16. Differences in individual forces of growth include China's manufacturing sector which has been the engine of growth, employment generation, and poverty reduction. The service industry played an important role in India's growth outlook and recently in Brazil. While Russia, South Africa, and Brazil made use of abundant natural resources to support growth. Future growth potential will be impacted by the ability of all BRICS countries to play an even greater role in the manufacturing sector (United Nations Industrial Development Organisation, 2012).

#### **2.1.5.8. Competition**

Although, BRICS share mutual views supporting greater representation of the developing world, fundamental differences such as geopolitical competition exist that undermine increased levels of partnership (Mottet, 2013). In geo-economic terms, the BRICS countries share common interests, but they are also fervent rivals in many markets. For such a combination, a neologism term 'cooperative competition' or 'coopetition' was coined. It is noted that intra trading is relevant, but global cooperation ties with technological leaders will strengthen co-operation among the BRICS countries even more (Borodaevkiy, 2013).

Mistrust and tensions exist in the bilateral relations within BRICS as they view each other as potential threats and competitors. This particularly relates to regional competition between China and India and between China and Russia in Central Asia. Sino-India relations still have tensions concerning the 1962 war, unresolved border disputes, China's military support for Pakistan, and China's perception of India's support for Tibet. India is also threatened by China's improved relations with Myanmar, Pakistan, Bangladesh and Sri

Lanka which could restrain the influence of India on neighbouring countries. On the other hand, China is threatened by India's engagements with Myanmar and Indochina. China and India are also potentially competing for control over the Indian Ocean through modernised militaries. Sino-Russian relations experience threats over negotiations relating to Chinese imports of weapons from Russia, construction of an oil pipeline from Russia to China as well as mistrust in military and energy cooperation. Russia is threatened by economic and military growth of China as it may become a raw material provider fuelling China's growth (Mottet, 2013).

Despite these differences, competition over trade in manufactured goods could decline due to rapid industrial upgrading of China. Instead competition between China and developed economies may increase in the medium and long term while competition between China and BRICS could decline. As a result, China and other BRICS countries could possibly complement each other (Borodaevkiy, 2013).

With regards to current competition levels, all BRICS countries should work creatively to focus on common development by policy co-ordination through strengthening co-operation in manufacturing, mining and other undertakings, to minimise the domestic political manipulation of disputes. Chinese analysts insist that competition between members of BRICS should urgently be addressed, as failure to do so may impair overall interests of the BRICS countries (Borodaevkiy, 2013).

#### **2.1.5.9. International organisation and communication**

Currently the BRICS are not a closely defined international organisation, nor are they classified as a free trade zone or an economic community. Wang (2012) stressed that BRICS is more like an aggregate of five emerging economic powers with similar multiple interests seeking common cooperation mechanisms.

BRICS countries, therefore, should aim at internal communication and co-ordination improvements in order to gain concessions from developed countries on global economic governance issues. Overall, analysts argue that BRICS should work on defining itself as a group (Wang, 2012).

#### **2.1.5.10. Solutions**

Considering solutions with regard to the above mentioned differences, experts emphasise existing co-operation programmes should be implemented. Medium- and long-term co-operation plans are also required. Future co-operation plans should include agriculture, infrastructure, manufacturing programmes, and increased financial co-operation between members. Efforts should focus on promoting co-operation in science, technology, and new energy. Chinese analysts also suggest that dialogue should be deepened. Trade facilitation and investment liberalisation agreements should be signed. Multilateral consultative mechanisms within the group should also be developed (Wang, 2012).

Given the above differences, one can conclude that the group is heterogeneous in nature, with a lack of a cohesive identity. However, this could be due to the evolutionary nature of the group, as they seek to find an identity on which to ground themselves (Singh & Dube, 2013). Clearly, the BRICS members have a different geography territory on foreign policy priorities. Therefore, the more global and general the issues that are discussed on their agenda, the greater the possibility of the members coming to an agreement.

In contrast, the closer the countries get to the specific issues the more friction appears to be created between them. Once again, it must be pointed out that the grouping has not yet reached its full potential as an influential international entity (Io Lo & Hiscock, 2014). However, internal differences do not reduce the functioning of BRICS as a whole because of different point of views, a commitment to free debate and willingness to learn from each other are seen as reasons why BRICS continued existences is beneficial, whereby differences are used to their advantage (Stuenkel, 2012).

The main contribution to divergences of interests among member countries is the progress of consolidations. Solutions to overcome these differences thus include integration of markets and focusing on sectors that promote cross leverage of inherent competitive advantages (Sharma, 2013).

#### **2.1.6. Challenges of BRICS**

The challenges of BRICS are analysed in order to consider the factors that hamper its growth and consider possible solutions to overcome the drawbacks listed below.

#### **2.1.6.1. Ownership of BRICS**

It has been suggested that a reason why BRICS has been unable to make its mark globally is that none of the governments is permitted to claim ownership of the organisation (Chaudhuri, 2013). To argue this point, section 2.1.5.9 emphasised that BRICS is not considered a 'product' and does not strive to be managed by one country in particular.

#### **2.1.6.2. Policies**

A challenge for BRICS is to agree on which types of mutually beneficial policies should be made a priority. Procedures to follow to strike mutually beneficial agreements as well as how to pursue 'synergistic' investment and trade with partner countries are also considered drawbacks. The section on the differences of BRICS also emphasised this point and concluded that the ability to develop mutually beneficial policies of the grouping shall depend on the ability of the countries to overcome the dilemma of being both allies and competitors in markets (Gumede, 2013).

#### **2.1.6.3. Integration system**

BRICS capacity to develop successful integration systems is hampered by the inability to regionally integrate which was highlighted in the differences of BRICS. Borodaevskiy (2013), in particular, however, focused on whether BRICS really constitute as an integration system with cooperative potential of its own. The potential to reach beyond what could typically be gained by trading partners involved in ordinary commercial transactions is questioned. The findings implied that this is unlikely to happen as BRICS is considered a heterogeneous group of 'ambitious world players' in essence representing an 'artificial construction' (Borodaevskiy, 2013).

#### **2.1.6.4. Financial crises**

Although the BRICS countries responded reasonably well in comparison to the West to the global financial crisis, all members have still been affected by the slowdown, the volatility of food and energy prices, the political uncertainty in West Asia, the rise of terrorism and the challenge of reconciling growth with environmental goals (Io Lo & Hiscock, 2014). Given that the global crisis is continuing and dominate economies are unlikely to provide much stimulus to the global economy, developed countries still dominate BRICS in exports and the domino effect of declining economies must be accepted (Ghosh, 2013).

The possible solutions to overcome this problem entail diversifying exports and bilateral currency trade in order to encourage more trading activity between the BRICS groups. The current state of the economy does provide an opportunity for BRICS to build developing mechanisms for the emerging countries to finance imports by countries with low income and development levels, whilst simultaneously delivering markets to other developing countries. Hence, development potential to the recipient countries shall increase (Ghosh, 2013).

#### **2.1.6.5. Demographic profiles**

Even though the BRICS members are located across the globe, they face common challenges such as rapid urbanisation and large migration flows, as well as inadequate infrastructure and sustainability challenges (BRICS Policy Centre, 2013). The BRICS countries, therefore, share the common challenges of their unique demographic profiles, each presenting its own challenges (Io Lo & Hiscock, 2014).

The following challenges are more internal but common across most BRICS countries (Ghosh, 2013). These challenges include job opportunities, the supply side constraints of the BRICS narrative to catch up on growth, energy, water and food constraints, sustained growth measures, including rejuvenating progress in the Doha Round, maximising benefits from intra-BRICS complementarity through increased business interaction, access to capital especially for infrastructure development, addressing global governance differences to reflect contemporary realities, green growth, sustainable development, growing income inequalities differences, urbanisation challenges, the geopolitical environment that impacts global energy markets, trade flows, and the concerns of terrorism and piracy (Io Lo & Hiscock, 2014).

However, BRICS members are brought together by their shared capacity and will engage with each other as well as the rest of the world on the global quest for meaningful, sustainable solutions to these challenges (Io Lo & Hiscock, 2014).

#### **2.1.6.6. Inequality**

BRICS growth has been accompanied with rising income and asset inequality which leads to social and economic dysfunctions, as well as increasing harmful political tensions. Inadequate productive employment generation has been a feature of the past growth process and is linked with rising inequality. Economic policies within BRICS countries should



seek to promote job creation. Privation strategies and decreased public spending by BRICS governments has created social service and utility inequalities which limits access of the poor to various facilities (Ghosh, 2013).

With regard to the above inequality, O'Neil (2013) suggested that the reason for protests in numerous developing countries is rapidly expanding middle class populations who have benefited from economic growth and are anxious to obtain even further growth. The new middle class era seeks to prevent governments from wasting public money on pet projects to avoid poverty. BRICS should respond to the 'middle-income trap' by improving governance which entails 'better government as opposed to more', improving basic levels of education while gaining access to modern technology innovations (O'Neil, 2013).

The recent growth in all BRICS countries, in addition, has been due to the construction and real estate boom, which is currently winding down in all of the five BRICS countries. This creates hardships in the health and financial sector, as well as a decrease in employment and housing shortages, which in turn increases inequality levels (Ghosh, 2013).

Another challenge indicated by De Wet (2013), acknowledges that given a few exceptions, BRICS members are unable to produce technological products that provide a competitive edge since scale and volume are lacking. The only solution is to produce cheaper products than other countries (De Wet, 2013).

#### **2.1.6.7. Trade and investment**

Previously, trade cooperation amongst the BRICS countries has been relatively weak and given the nature of their bilateral relations, improvements might be a challenge. Beyond the bilateral relationships with China, trade and investment linkages among the BRICS countries are fragile and disjointed (Singh & Dube, 2012). Intra-trade between BRICS is approximately \$242 billion which is less than 5% of the total trade of BRICS nations. This emphasises the increased need for intra-BRICS trade and investment to facilitate growth and development. The first BRICS Trade Fair held in Goa in 2016 suggested that bringing firms of BRICS countries together as well as increasing trade and investments between five countries that differ geographically, economically, and culturally may be harder to resolve than solving geopolitical issues or challenging the international world order (Katz, 2016).

Issues such as logistics, regulation differences and language barriers remain the main obstacles preventing intra-trade cooperation. Solutions to resolve this include creating common platforms for the exchange of information on trade, standardisation of regulations and expanding the scope and scale of payments in local currencies. Additional suggestions to encourage innovation include creating a BRICS Angel network to unlock potential of young entrepreneurs and creating a start-up ecosystem. Didar Singh, Secretary General of FICCI, emphasised the main challenge is to convince firms to invest as BRICS is a new idea, however the Trade Fair utilised partnerships across all countries and received support (Katz, 2016).

The main challenge confronting investments is to create a favourable business environment. All the countries have various regulations which must be combined to create certainty. A solution is to provide companies certainty with clear rules known to firms in advance. Since BRICS is a relatively new idea and firms are usually slow to accept new approaches, a resolution to increasing investments amongst firms is the passage of time. The aim of the BRICS trade fair is to convert political activity into trade activity which will help resolve intra-trade activity going forward (Katz, 2016).

#### **2.1.6.7.1. Economic growth strategies**

The BRICS countries also have different economic growth strategies that determine economic policies. For example, China's economy is driven by its exports of manufactures and central role in the global value chains, yet domestic consumption is still very limited, which creates a current account surplus. China's currency manipulation of the pegging of the Renminbi to the US dollar gives China an unfair trade advantage by making exports cheaper. Russia's economy is based on energy resources, leading to unsustainable economic growth in the long run. The country should strive to diversify exports and to venture into manufacturing to resolve this challenge (Singh & Dube, 2012).

Turning our attention to South Africa, who is rich in natural resources, but striving to broaden its manufacturing base and export more value-added products face the challenge of inclusive growth and employment. Thus, South Africa has implemented measures designed to develop skills, youth employment, and industrial development (Singh & Dube, 2012).

Therefore, each BRICS member should focus on facing individual economic growth challenges related to specific growth strategies.

#### **2.1.6.7.2. Account deficits**

Brazil, India and South Africa are all experiencing current account deficits. A challenge facing Brazil is currency appreciation and manipulation issues. Brazil's imports are also aimed at stimulating domestic demand. South Africa's deficit is caused by regional integration obligations which result in neighbouring countries investing current account surpluses in the country (Singh & Dube, 2012).

#### **2.1.6.7.3. Trading relationships**

As seen in section 2.1.5.8, BRICS compete against each other on international markets. In the WTO, the largest number of complaints against China has been initiated by Brazil. India, in addition, is seen as a threat to Brazilian producers in steel as well software sectors. The value of a country's exports is in the added value to products, rather than volume as the BRICS trading relationship dynamics demonstrate. This implies that reaching the desired commitment of increased and integrated trading relationships among the BRICS will be achieved only through a process of confrontation, negotiation, and co-operation (Singh & Dube, 2012).

In addition to the Trade Fair established in 2016, progress has been made to facilitate trade among BRICS by signing two agreements at the 2012 BRICS summit, namely the Master Agreement on Extending Credit Facility in Local Currency and the Multilateral Letter of Credit Confirmation Facility Agreement. The agreement will promote trade among the countries to be conducted in domestic currencies, thereby eliminating the use of the US dollar and minimising the risk of currency volatility, while encouraging the internationalisation of BRICS currencies. The overall challenge with regard to BRICS trade and investments lies with the ability to resolve bilateral trade tensions (Singh & Dube, 2012).

#### **2.1.6.8. Infrastructure and industrial development**

BRICS share the challenge of infrastructure deficiency in their countries and regions. Infrastructure is particularly important for economic growth. For emerging economies such as BRICS, in the age of globalisation, infrastructure plays an important role in the global economy and participates in global value chains. Research has indicated key areas of

development required in BRICS countries are in energy, telecommunication, and transport, as well as access to improved water and sanitation. BRICS countries have started or are in the process of implementing infrastructure plans (Singh & Dube, 2012).

#### **2.1.6.9. Agricultural sectors**

Considering food security, agricultural sectors in all BRICS countries, however, face a few challenges. These include the impact of climate change on productivity, issues of water security, commodity price volatility, which leads to a rise in food prices, rising input costs, diverted agricultural land, and the challenge of promoting smallholder farming, particularly in the face of other challenges such as urbanisation. In terms of practical steps for co-operation in the area of food security, Singh and Dube (2012) highlights the group's agreement to the following Moscow Declaration of BRIC Ministers of Agriculture and Agrarian Development:

- Create an agricultural information-base system.
- Develop a general strategy for ensuring access to food for the most vulnerable sections of the community.
- Reduce the negative impact of climate change on food security and adapt reduction in the negative impact of climate change on food security including agriculture to climate change.
- Agricultural technology, co-operation and innovation need to be enhanced.

The BRICS Agricultural Co-operation Working Group, which formulated the Action Plan 2012–2016 for Agricultural Cooperation of BRICS Countries, was established to achieve the above objectives. This action plan developed five co-operation activities, each to be co-ordinated by a different BRICS member. The first activity is the creation of a basic agricultural information system of BRICS countries, to be co-ordinated by China. The second is the development of a general strategy for ensuring access to food for the most vulnerable population, to be coordinated by Brazil. Thirdly, the reduction of the negative impact of climate change on food security and adaptation of agriculture to climate change is to be co-ordinated by South Africa. Fourthly is the enhancement of agricultural technology co-operation and innovation, to be co-ordinated by India. Lastly the activity of trade and investment promotion shall be co-ordinated by Russia. This approach by the BRICS

countries is holistic and includes trade, finance, and technology aspects of food security (Singh & Dube, 2012).

#### **2.1.6.10. Culture and tourism**

With regard to cultural exchange and tourism, despite certain countries in the group (such as India and China) exhibiting cultural influence on each other for centuries, culture and tourism remain two areas that have yet to find common ground among BRICS countries. Since there are few commonalities between BRICS countries due to language barriers, culture, living styles, and food habits, culture and tourism remains a challenge yet to be overcome (Singh & Dube, 2012).

#### **2.1.7. BRICS GDP, trade, and investment in the world economy**

Over the years BRICS has emerged as a significant group in terms of economic and demographic parameters. BRICS now constitutes the fastest-growing and largest emerging-markets economies and account for just under half of the world's total population. Their increasing share in GDP, FDI, and trends in the economically active population may have a massive impact in future economic and political world dynamics (GEGAfrica, 2013).

A number of projections indicate that it is only a matter of time before China becomes the biggest economy in the world. The general consensus is that this is likely to occur between 2030 and 2050. The Goldman Sachs paper that indicated that by 2050, BRICS countries will become the world's most important economies and will replace the USA as the largest economies must be reiterated. If current trends continue, BRICS will become an increasingly significant group in years to come, which may require establishment of a new world economic and political order (GEGAfrica, 2013).

Among BRICS leaders, it is being argued that China will dominate in manufactured goods, India win control services, and Russia and Brazil raw material supplies. South Africa, on the other hand, could emerge as an important mineral supplier as the country is already considered the world's largest producer of platinum, chrome, vanadium and manganese, the third-largest gold miner, offering sophisticated mining-related professional services (GEGAfrica, 2013).

### **2.1.8. BRICS move to make global economy system robust**

It is widely accepted that the BRICS countries have served to prop up the global economy during the global financial and economic crisis. The BRICS countries have been a significant part of the global recovery process, particularly since they served as the global centres of demand (Singh & Dube, 2012).

### **2.1.9. International relations with BRICS**

#### **2.1.9.1 BRICS and the G-20**

Since BRICS very first meeting in 2008 on the side-lines of the G-20 summit, the group has focused on how to understand the crisis and to work together with the G-20 towards the reform of international financial institutions, in both regulatory and governance aspects. Beyond the BRICS Summit Declaration on agenda items that also feature on the G-20 agenda, there has not been a visible effort to create a BRICS power bloc within the G-20 to shape issues of common interest to BRICS countries (Singh & Dube, 2012).

BRICS countries are not always in agreement on G-20 issues. In order to demonstrate this statement, BRICS argued for the replacement of the US dollar as a reserve currency with one based on Special Drawing Rights (SDR) and accompanied by a change in the SDR's basket of currencies, which currently consists of the euro, the Japanese yen, the UK's sterling and the US dollar. BRICS seek for the valuation process on SDR to include their own currencies.

The SDR turned into a super-sovereign reserve currency that may be converted into any currency the borrower desires and only converge in broad terms despite the many agenda items in which they should ideally have an interest, including the development agenda as well as reform of international institutions (CUTS International, 2006). However, in June 2012 the BRICS leaders met on the side-lines of the G-20 summit. The meeting was viewed as the first step towards institutionalising the BRICS power bloc within the G-20. In summary, BRICS has secured a few gains in the G-20, but this has been together with other emerging economies. Hence, there is no exclusivity to their achievements (CUTS International, 2006).

#### **2.1.9.2. BRICS and the European Union (EU)**

The EU is a unique economic and political partnership between 28 countries, created in the aftermath of the Second World War which together cover most of the continent. The

partnership's foundation is the rule of law. Consequently, every EU move is founded on treaties, voluntarily and democratically agreed by all member countries. These binding agreements set EU objectives in numerous areas of activity (European Union, 2014). Accordingly, the EU is considered the largest provider of official development assistance around the world. Areas of involvement also includes activities that support development and reduce poverty such as peacekeeping, election observing, and providing humanitarian and reconstruction aid in the wake of natural disasters and conflict (Delegation of the European Union to the United States, 2013).

In comparison to BRICS, EU is more established and has more formal processes and institutions. Subsequently, the EU is run by the EU Council who sets policies and proposes new laws. Political leadership is held by a different leader every six months. The European Parliament also debates and approves the laws proposed by the Council. Council members are elected every five years and the European Commission executes the laws (Amadeo, 2014).

The EU'S relationship with BRICS is a strategic partnership with all the individual countries, as it does not recognise BRICS as a grouping. The EU, therefore, negotiates through bilateral discussions with each country (Gratius, 2013). Gratius (2013) also viewed BRICS as possessing a relatively low level of internal coherence and global power status. For that reason an EU policy designed towards that of the BRICS is not beneficial and it is also not optimal for BRICS to adopt a common stance on the EU (Gratius, 2013).

All BRICS members are seen as both strategic bilateral partners and rivals of the EU, 'part of the strategy of cooperating while competing'. Evidently, BRICS different positions on numerous international agenda issues, demonstrate the downfall of EU's multilateralism in a multi-polar world of shifting alliances. Therefore, both the EU and BRICS should maintain partnerships, but the EU should not expect BRICS to follow their position on international affairs or share its concept of efficient multilateralism (Gratius, 2013).

#### **2.1.9.3. BRICS and IBSA**

In June 2003, India, South Africa, and Brazil, were invited to the G8 Summit only as observers, which caused frustration amongst the three countries (Barranco, 2014). IBSA launched soon after this summit as a forum, which brings together three large democracies

and major economies, facing similar challenges. All the countries are considered 'developing, pluralistic, multi-cultural, multi-ethnic, multi-lingual ad multi-religious nations' (Ministry of External Affairs, 2013:1). The grouping is considered an alliance of like-minded democracies from the developing South with members seeking an informal arrangement without a fixed secretariat, however with an ambitious agenda on global governance and intersectional co-operation (White, 2009). IBSA countries are united not only by characteristics of multi-cultural democracies, shared norms and ideologies but also by the geography of the adjoining South Atlantic and Indian Oceans (Kornegay & Bohler-Muller, 2013).

The grouping aimed to further intensify dialogue and conduct meetings of experts responsible for issues of mutual interest (Kurtz-Phelan, 2013). As time passed, previous goals became more ambitious and IBSA declared that they would strive to advance human development by promoting potential synergies between members (Kurtz-Phelan, 2013). The declaration of IBSA in 2003 focused on issues of common concern including the reform of the United Nations, threats to security, social equity and inclusion, racial discrimination, and gender equality.

Thus, IBSA comes from the capitalisation of three countries. IBSA aims at increasing the availability and competitiveness of developing countries as well as improving foreign debt levels. In addition to its increasing impact in the multilateral institutions, all members are strategic partners of the EU (Arkhangelskaya, 2012).

However, when South Africa joined BRICS, there was concern whether IBSA would continue to operate within the BRICS group, or be absorbed by Russia and China, especially since BRICS follows more of a political agenda and is able to speak as a united group on issues of international importance than IBSA (Africa Insight, 2013). Contrary to this opinion, Africa Insight (2013) also argued that IBSA will help strengthen BRICS and reinforce the work of the forum through collaboration on investment initiatives and calls for the reform of the international monetary system.

Although India, Brazil, and South Africa share bilateral trade agreements amongst themselves, binding trilateral free trade arrangements between the IBSA countries are complicated because of prior multilateral trade agreement commitments involving their



respective neighbours such as SACU and Mercosur. These bodies do not permit members to form free trade agreements with outsiders without extending the benefits to members of the broader multilateral group. As a result, the value-added of IBSA's democratic credentials is a relatively weak argument regarding its survival. At a practical level, BRICS rapid moves towards creating a Development Bank and fostering greater cooperation at global governance venues such as the G-20 and the IMF, makes IBSA's 'rhetoric-focused, results-absent record seem problematic' (Taylor, 2012:1).

Additionally, South Africa still requires IBSA as discussions among democratic developing countries remains vital, otherwise South Africa risks being too influenced by the Eurasian authorities, namely China and Russia. Geographically, South Africa is also closer to India and Brazil, making it easier to facilitate trade and economic links. Accordingly, India and Brazil has greater commonalities with South Africa than does Russia and China. Despite these factors, South Africa should still strive to leverage on China's weight in geo-economic discussions (Fraser, 2014).

A study conducted by Shubin (2013) recognised that IBSA was established earlier and as a result exhibits more developed structures than BRICS. IBSA's achievements can be explained by the following four dimensions, political achievements, working groups' achievements in their respective areas of cooperation, IBSA Fund for Alleviation of Poverty and hunger as well as achievement in numerous other issues (Arkhangelskaya, 2012). Consequently, for South Africa, India, and Brazil, it would be erroneous to terminate IBSA until BRICS is well-established (Vladimir, 2013).

#### **2.1.9.4. BRICS and the Group of 7 (G7)**

The Group of 7 (G7) is an informal bloc of industrialised economies, namely Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States. Russia belonged in the forum from 1988 until 2014, but the country was suspended after its annexation of Crimea. The G7 meet periodically to discuss issues such as global economic governance, international security and energy policies. Proponents emphasise the forum's relatively homogenous membership promotes collective decision making. Critics contend the association excludes important emerging powers (Laub & McBride, 2017).

O'Neil's' (2001) thesis also considered whether the G-7 should be replaced by the G-9, which would enable global policy-making to be more effective. BRIC countries interest in joining the G-7 was also analysed. The four countries vary economically, socially and politically and incorporating all four of them into the G-7 might not be straightforward. The thesis indicated that Russia was the most interested due to the fact that they were regulars of the Annual Heads of State Summit and were now part of the G8. Their presence might be valuable due to their role as a major oil producer. Brazil would be the next most likely to want to join the grouping given its large economic size in Latin America and its closer social and stylistic ties to Europe and the United States (O'Neil, 2001).

In addition, predictions that China would not be as willing as the previous two countries to join G7 were made, due to the fact that its social model is still extremely different to the G7 countries. Since China's capital market is not very developed yet, it might not appreciate the G7 advice. Lastly, India would be the least eager to join the club as the country might regard any obligations as unwelcoming as well as possibly seeing their own experiences as limiting their ability to give advice. Yet, size, population, potential and geographical location makes India an appealing prospect for insertion. Results also indicated that G7 countries should consider that not all member countries are required to be identical (O'Neil, 2001).

## **2.2. Conclusion**

This chapter provided the literature review on BRICS. This included both the formation of BRICS and the significance of the grouping. BRICS has become a major group in both political and economic terms. BRICS will also be expected to play a greater role going forward on economic governance reforms.

The chapter also discussed commonalities and differences amongst the grouping. Studies have shown that differences amongst BRICS members have in essence strengthened the functionality of the grouping as a whole. The strengths, possible solutions to challenges, and international relations of BRICS were also examined.

In conclusion, with BRICS being seen as such a dynamic group of the future, the validity of South Africa chosen to join the group in 2012 is assessed in the following chapter, since the

country is not among the top 20 economies in the world, has a population of just more than 50-million, and a GDP of approximately \$364-billion (Naidoo, 2012).

The following chapter provides an analysis on South Africa's contribution to BRICs, including benefits and drawbacks of South Africa's inclusion, in order to examine whether the country reduces the capacity of the association.

## **CHAPTER 3: South Africa's contribution to BRICs**

### **3.1. Introduction**

The previous chapter examined various reasons for the formation of BRIC, the significance of the grouping, commonalities and differences of BRICS, and challenges faced by the association. Chapter 2 also provided an analysis on the strengths and weaknesses of BRICS. Lastly, the chapter considered BRICS international relations with the G20, EU, IBSA, and G7.

As a result of the analysis established in the previous chapter, the validity of South Africa's selection is examined in this chapter. Since South Africa is considered an 'economic dwarf' in comparison to other BRIC members, numerous analysts met the country's invitation into the grouping with surprise and incomprehension. O'Neil cites that South Africa alone should not be treated as a BRIC member. O'Neil, however, emphasised that South Africa as a representative of Africa could be credibly included in BRICs (Le Monde, 2011). Thus, there has been little consensus on the implications of South Africa's admittance into the grouping and the potential impact on international affairs (Besada, Tok & Winters, 2013).

Furthermore, there has been speculation regarding the purpose and benefit of positioning South Africa within BRICs, South Africa's motivation for joining BRICs, objectives the country seeks to gain from inclusion, and South Africa's strategy towards the BRIC members (Soko & Qobo, 2011). Some academics have indicated that South Africa could 'distort' the association. Given that certain analysts contend that it is difficult to immediately perceive how South Africa could easily fit into the group and the implication that South Africa's inclusion alters the dynamics of the group, this section considers important aspects to the grouping regarding South Africa's inclusion (Wooldridge, 2011).

The following chapter focuses on whether South Africa contributes to BRICS. The strengths and weaknesses of South Africa's inclusion into the grouping are examined, as well as South Africa's potential for shaping the agenda of international forums. Implications for South Africa and BRICS members, due to the country's participation in the association, are also investigated. The chapter also speculates to what extent South Africa 'represents' the

entire continent. Lastly, South Africa's ability to reduce or increases BRICS capacity to come to terms with agreements on important issues in order to determine whether South Africa contributes to the grouping is examined.

### **3.1.1. Does South Africa have what it takes to be in BRICS?**

Despite South Africa's inclusion into the association fundamentally altering the nature of the BRICS group, giving it a more global structure, little is known as to why it was chosen over larger economies such as Indonesia, or faster-growing economies in Africa such as Nigeria, and how it altered South Africa's insertion into the international system (Stuenkel, 2013). O'Neil suggested that Nigeria has greater growth potential in comparison to South Africa as it is part of the N11 association. Nigeria also contains a higher working population than South Africa (CP-Africa, 2010).

Moreover, the Goldman Sachs investment report (2003) indicated that although South Africa as an emerging economy does not possess attributes of other BRIC countries in terms of territorial extension and the size of the population, the report emphasised the significance of South Africa as the largest economy in the African continent as well as an emerging economy in the world.

Given the above concerns it was noted by Politics Web (2013) that even though South Africa has a smaller population and economy in comparison to Nigeria and numerous emerging economies, certain factors contributed to South Africa's entry into the association. This section highlights South Africa's attractive traits in order to demonstrate possible reasons for inclusion into the grouping.

#### **3.1.1.1. Per capita income**

According to Statistic Times (2017), South Africa's nominal GDP per capita is ranked below that of Russia, Brazil and China. Yet, the country's ranking is higher than India and competitors such as Indonesia, Egypt, Vietnam, and Nigeria. Table 3.1 provides the 2017 Nominal \$ GDP per capita world rankings of BRICS countries and various competitors for South Africa's position in BRICS.

**Table 3.1: GDP per capita 2017 world rankings**

COUNTRY	2017 GDP (Nominal) per capita (\$)	World Ranking
Russia	10,060	66
Brazil	9,409	72
China	8,929	74
South Africa	5,074	97
Indonesia	3,871	114
Egypt	3,668	117
Vietnam	2,307	133
Nigeria	2,192	138
India	1,852	144

Source: Adapted from Statistics Times, (2017)

### **3.1.1.2. Enhance co-operation between emerging markets**

The sentiment expressed by the Chinese Foreign Ministry spokesperson, Jiang Yu, embodies the view that South Africa's accession will promote the development of BRICS as well as enhance cooperation between emerging economies. Russia's Foreign Ministry statement emphasised that South Africa will increase the total economic weight of the association and facilitate opportunities for mutually beneficial practical cooperation within BRICS. Indian experts also highlights that South Africa may increase the economic development of Africa and even the world (Smith, 2011).

Given the above foreign ministry views, South Africa was selected to increase the total economic weighting of the group. An equally significant factor is South Africa's contribution to co-operation between other emerging economies, in particular Africa, as well as co-operation amongst BRICS members in comparison to the original BRIC grouping.

### **3.1.1.3. South Africa's economy**

South Africa constitutes of a two-tiered economy. With regards to the first tier, South Africa is Africa's economic powerhouse, with a GDP averaging around 25% of the entire continent. The formal sector, which is based on services, mining and manufacturing, competes with majority of the Organisation for Economic Co-operation and Development (OECD) states. South Africa is considered a middle-income country characterised by an abundant supply of natural resources, well-developed legal, energy, financial, communication, and transportation sectors, a modern infrastructure that supports an efficient distribution of goods and services, and an active Stock Exchange that ranks among the top 20 in the world.

On the other hand, South Africa's second tier is plagued with several inequalities, poverty, and a high unemployment rate (Besada, Tok & Winters, 2013). Therefore, South Africa's first tier will contribute to BRICS, while improvements should be made with regards to the second tier to contribute even further.

#### **3.1.1.4. Constitutional democracy transition after apartheid**

South Africa's peaceful political transition is seen as one of the most remarkable political feats over the past century. The magnitude of constitutional and institutional re-design had a deep transformative impact on the entire government system and the region. Today, South Africa is considered a 'stable, multi-racial democracy with a vibrant civil society'. South Africa has also encouraged global peace strategies. The historic political transformation of the country to become a democracy is perceived as a unique contribution to BRICS and the world (BRICS Business Council, 2014). Proponents of South Africa in BRICS, therefore, identify South Africa's unique historic political transformation process of a constitutional democracy as reasoning for the country's invitation into the association (The BRICS Post, 2013).

Overall, South Africa achieved the opportunity to be affiliated to this group of powerful emerging economies due to recognition as a developing economy of significance in its own rights given the constitutional democracy transition after apartheid and global governance structures. Therefore, South Africa is considered a highly regarded player and contributor to the global community of nations (ASA Accountancy SA, 2011).

#### **3.1.1.5. More than a group of large countries with growth**

##### **3.1.1.5.1. Natural resources**

Citigroup Bank recognises South Africa as a 'mineral-rich' country (Beatty, 2013). South Africa is considered one of the wealthiest countries in terms of natural resources. It is a leading mining country, renowned for mineral resources, which form a large portion of the world's reserves. South Africa's platinum and manganese reserves are the largest in the world. The country is also one of the leading producers of chromite ore, vanadium, gold and diamonds as well as a leading contributor in the mining industry (Smith, 2016).

Given the above, South Africa's comparative advantage within BRICS pertains to its considerable natural resources. South Africa, thus, contributes significantly to BRICs resource pool.

### **3.1.1.5.2. Financial markets/advanced banking system**

According to the Provincial Treasury Republic of South Africa (2013), South Africa's size, population, and economy presence is considered relatively insignificant in comparison to other BRICS members. Despite these criticisms, South Africa's financial market is the most developed in Africa as well as being globally acclaimed. The Johannesburg Stock Exchange (JSE) is currently ranked 19th largest in the world by market capitalisation. The JSE is considered Africa's largest exchange (Muthinji & Bounouanza, 2017).

The South African banking system, which consists of a central bank called the South African Reserve Bank, a few large, financially strong banks and institutions, as well as a number of smaller banks, is deemed well-developed and effectively regulated (SouthAfrica.Info, 2013). In addition, the financial sector comprises of approximately 30 banks, almost 4000 branches, two mutual banks, numerous foreign bank offices, non-banking financial intuitions, smaller financial intermediaries, and the Johannesburg Stock Exchange (JSE) (MFW4A, 2011). The financial sector provides a wide range of commercial, retail, merchant banking, mortgage lending, insurance, and investment services (SouthAfrica.Info, 2013).

The banking system is considered sophisticated due to a sound regulatory and legal framework boasting enhancing domestic and foreign firms South Africa's advanced banking system has led to numerous foreign banks and investment institutions having operations in South Africa (SouthAfrica.Info, 2013). In addition, MFW4A (2011), demonstrated that South Africa has well-developed financial, legal and physical infrastructure, forming the basis for a sound financial system and stable economic growth. To further illustrate South Africa's advanced financial sector, Table 3.2 depicts the JSE as the top ranked Africa and Middle East Stock Exchange in 2016. Table 3.3 displays the JSE as the 4th fastest growing exchange by Market Capitalisation in the world in 2016. Both rankings emphasise South Africa's sophisticated financial sector in comparison to other emerging economies.



**Table 3.2: Africa and Middle East Stock Exchange Rankings**

2016 Ranking	Africa Stock Exchange	Total Market Capitalisation	% Change in 2015 (USD)
1	Johannesburg Stock Exchange	\$0.9 Trillion	30.30%
2	Saudi Stock Exchange	\$0.4 Trillion	6.60%

Source: Caproasia, (2017)

**Table 3.3: Fastest Growing Stock Exchanges by Market Capitalisation**

2016 Ranking	Growing Stock Exchange Value	Total Market Capitalisation	% Change in 2015 (USD)
1	Moscow Stock Exchange	\$0.6 Trillion	61.70%
2	BM&FBOVESPA	\$0.8 Trillion	57.80%
3	Johannesburg Stock Exchange	\$0.9 Trillion	30.30%
4	Toronto Stock Exchange	\$2.0 Trillion	28.20%
5	Stock Exchange of Thailand	\$0.4 Trillion	25.40%

Source: Caproasia, (2017)

These findings imply that South Africa's banking system is considered more sophisticated than most competitors for BRIC in Africa as well as emerging markets, further leading to the selection of South Africa.

### **3.1.1.5.3. Established corporate footprints**

At international business and trade forums, Africa is often seen as isolated and disconnected from global business and trade activities. Arguments have been put forward that other continents have removed majority of their international trade barriers, resulting in free movement of goods, services and people, while the African continent is still burdened with heavily militarised national borders (Adeleye, White & Boso, 2016). In contrast, South Africa's objective to develop firms both globally and in Africa is demonstrated by the introduction of a headquarter company to enhance the country's holding company jurisdiction. The purpose of the regime is to facilitate enhancing South Africa as the gateway to Africa given that it is already considered to have the most sophisticated economy in Africa (The IBSA Knowledge Bank, 2017). Thus, the special International Headquarter Company (IHQ) regime is aimed at positioning South Africa as a holding company gateway for foreign multinationals investing into Africa (Brand South Africa, 2016).

Since South Africa has various tax barriers such as CFC rules, secondary tax on companies (STC), dividends tax (DT), and thin capitalisation provisions, foreign investors have previously been discouraged from utilising South Africa as a holding company location for investments in other parts of the world. Although headquarter companies are subject to South African corporate tax at the normal rate of 28%, the introduction of the headquarter company regime is aimed at making South Africa more competitive, by 'switching off' the unfavourable CFC, STC/DT, and thin capitalisation rules. In introducing the regime, South Africa's National Treasury stated that South Africa is recognised as the economic powerhouse of Africa due to its location, sizeable economy, political stability, overall strength in financial services, and strong network of tax treaties (Brown & Wentzel, 2012).

Research has indicated that Africa to Africa internationalisation activities are dominated by firms from the 'two giants of Africa', namely Nigeria and South Africa and to a lesser extent Kenya. Studies also demonstrated that outward foreign direct investment from South Africa which is considered the most 'advanced' or 'sophisticated' economy in Sub-Saharan Africa has been more extensive than investments from Nigeria and Kenya (Adeleye et al., 2016). Since South Africa shares borders with Namibia, Botswana, Zimbabwe, Mozambique, Swaziland and Lesotho, the country's well-developed road and rail links provide a platform as well as infrastructure for transportation deep into sub-Saharan Africa. Hence, South Africa has the resident marketing skills and distribution channels to develop commercial firms in Africa (Brand South Africa, 2016).

South Africa has been named one of sub-Saharan Africa's entrepreneurial frontrunners, after a global report placed the country second, after African counterpart Botswana. The report indicated that South Africa has made significant progress to overcome structural factors and produce numerous innovative and successful firms on the continent. The country is seen to provide institutional support necessary for high growth enterprises to emerge. Government policies aim to close historical gaps with coordinated policies to address bottlenecks. As a result, South Africa is poised to increase growth levels through entrepreneurship (South African Breweries, 2017).

Furthermore, four South African corporations featured on the Boston Consulting Group's list of 100 'global challenges' who have established corporate footprints globally are Aspen Holdings, Sasol, Bidvest and MTN. Aspen Holdings is Africa's largest pharmaceutical manufacturer. Aspen supplies generic pharmaceuticals in more than 150 countries across the world as well as consumer and nutritional products in selected territories.

Aspen has approximately 18 pharmaceutical manufacturing sites on six continents. Four are located in South Africa, three in Australia, and one in each of Germany, Tanzania, Kenya, Brazil and Mexico. Sasol has become a global player in energy and chemical industries. The company is also listed on both the Johannesburg and New York stock exchanges. Bidvest's reach extends into every sector of the South African economy namely household, commerce, government, industry and mining sectors. Lastly, MTN operates in 21 countries across Africa and the Middle East in mobile telecommunications. It has a reputation for doing business in countries perceived to be tough business environments such as Syria and Afghanistan. One of MTN's biggest international success stories is Nigeria, where it is currently the market leader with over 55 million subscribers (Maritz, 2014).

Overall, South Africa's outward investments in Africa, positioning itself as a holding company gateway for foreign multinationals investing into Africa, overcoming several structural factors, the ability to produce successful and innovative enterprises in the continent, and the ability of firms to expand internationally demonstrates South Africa's enhanced corporate footprints. Li Xing (2014) suggests that South Africa is an 'incontrovertible economic prowess on the continent' which facilitated entry into the association.

#### **3.1.1.5.4. Export structure**

Prior to the rise of BRICS, South Africa's economic growth and integration into the global economy were driven by a significant increase in exports following the end of apartheid in 1994 (Onyekwena, Taiwo & Uneze, 2014). South Africa is the 36th largest export economy in the world. In 2015, South Africa exported \$93.7B and imported \$80.0B, resulting in a positive trade balance of \$12.9B. The top export products of South Africa are gold, diamonds, platinum, coal briquettes and cars, utilising the revision of the Harmonised

System (HS) classification. The top export destinations of South Africa are China, United States, India United Kingdom and Germany. It is important to note, therefore that 2 of the BRICS countries are South Africa's largest export partners (Observatory of Economic Complexity, 2016).

Research has indicated that South Africa's exports to BRICS countries is playing an increasingly important role, as exports to the EU has been suppressed, which previously dominated South Africa's exports (Onyekwena, Taiwo & Uneze, 2014). South Africa, however, is the EU's largest trading partner in Africa since as a member of the African Caribbean Pacific group of countries, South Africa is considered the strongest of the sub-Saharan Africa's economies. South Africa is gradually moving from commodity products to an export profile that includes manufactured products. Thus, South Africa's composition of exports are becoming more diverse (European Union, 2017). South Africa's rich endowment of minerals and resources complements Brazil's specialisation in agriculture and raw materials, Russia's strength in the commodity market and China's recognition as the 'world factory' (Onyekwena, Taiwo & Uneze, 2014). The country's export structure relative to BRICS members, thus, demonstrates diversification (BRICS Business Council, 2015).

Consequently, South Africa's relatively high export ranking and increased export diversification for the BRICS members, as well as it being considered the largest trading partner in Africa, contributes to the invitation into the association.

#### **3.1.1.5.5. Culture of innovation**

According to the Global Innovation Index (GII 2016), released by Cornell University, INSEAD and the World Intellectual Property Organisation (WIPO), South Africa has been ranked the 54th most innovative country in the world and 2nd highest in Africa, trailing closely behind Mauritius in 53rd position. Kenya is ranked 80th, Rwanda 83rd, Mozambique 84th, Botswana 90th, Namibia 93rd and Malawi 98th (Chibelushi, 2016). Despite Nigeria's favourable growth statistics in Africa, it is only ranked 114th on the index (Oluka, 2016).

Blake (2016), chairman of Blake Holdings, is of the opinion that the success of Mauritius' effort relative to its size of approximately 1.3 million is based on resources the government has poured into attracting specialist Information and Communication (ICT) skills from abroad. South Africa, in contrast, has always relied on local talent. However, there are

numerous examples of ground-breaking technology initiated and developed locally by established operators. Blake (2016) also highlights that South Africa can learn from Mauritius by attracting the rest of the world to the country through creating a favourable investment environment and a culture of learning and skills transfer.

Table 3.4. Illustrates the 2016 Global Innovation Index rankings of BRICS countries. While China (25th) and Russia (43rd) are ahead of South Africa (54th), India (66th) and Brazil (69th) both have a less innovative culture than South Africa (Global Innovation Index, 2016). Blake, (2016) indicated that South Africa's relative size of 53 million, does not compare with Russia's population of 143 million, Brazil 200.4 million, India 1.25 billion and China 1.35 billion. Realistically, South Africa cannot compete against a population of a billion alone since the countries have greater manpower and hence more opportunities. Therefore, the one advantage BRIC nations possess is as individual innovation portfolio's increase, scale of output is achieved.

However, since Africa as a whole has a population in excess of a billion, the continent offers breeding ground for ideas as large as China or India's (Blake, 2016). This once again highlights that South Africa is small in comparison to BRICS, but meets the characteristics of the grouping when Africa is considered as a whole.

**Table 3.4: Global Innovation Index 2016 rankings of BRICS**

<b>BRICS Innovation Index rankings</b>	
<b>Country/Economy</b>	<b>Ranking</b>
China	25
Russian Federation	43
South Africa	54
India	66
Brazil	69

Source: Global Innovation Index, (2016)

By South Africa choosing to focus on serving and empowering the African market, future innovation levels could improve even further. Blake (2016) also highlights that while South Africa has only recently been noticed as an innovation destination, the country has had a history of innovation with few resources. South Africa has been skilled at developing relatively creative solutions to resolve challenges in the African region. Blake, (2016) was

of the opinion that if the same creativity is supported by educational resources and skills, South Africa may become a global powerhouse (Blake, 2016).

South Africa could reach its full innovation potential, therefore, by continuing to provide innovative solutions for Africa, attracting foreign individuals and institutions, improving skill transfer and education resources. By including South Africa into BRICS, the members will gain from the country's innovative culture in comparison to some of the BRIC members and African nations.

#### **3.1.1.5.6. Geographical position**

In addition to the above, South Africa's position at the southern tip of the continent gives South Africa access to 14 countries in the Southern African Development Community (SADC) with a combined market of approximately 250-million people. South Africa is also a sound launch pad to the islands off Africa's coast as well as the Gulf States and India. Moreover, the country is a trans-shipment point between emerging markets such as Central and South America as well as newly industrialised nations such as South and Far East Asia. Major shipping lines also pass along South Africa's coastline in the South Atlantic and Indian Oceans. The country's seven commercial ports are considered the 'largest, best equipped and most efficient network in Africa' (Brand South Africa, 2016). South Africa's favourable geographical position therefore contributes to BRICS.

#### **3.1.1.5.7. Macro & micro financial climate**

South Africa is often considered an economic force to be reckoned with in a rapidly changing global economic and geopolitical environment, notably due to its long-term socioeconomic vision and associated policy-making of the government (Matola, 2014). A sustained record of macroeconomic prudence and a supportive global environment facilitated South Africa's gross domestic product (GDP) to grow at a steady rate for approximately a decade up to the financial crisis in 2008-2009. Progressions to the public budget management structure and attempts to reinforce macro fundamentals by National Treasury played a vital role in achieving this environment (The World Bank, 2014).

Moreover, South Africa's disciplined fiscal framework promotes domestic competitiveness, growth, employment and increases the economy's outward orientation. Taxes have been reduced, tariffs decreased, the fiscal deficit stabilised, and exchange controls relaxed. Key

economic reforms thus created solid macroeconomic stability (Brand South Africa, 2016). Accordingly, fiscal balances appear to consistently improve leading to South Africa's sustainable macro and micro-financial environment (The World Bank, 2014).

#### **3.1.1.5.8. Bond market**

Given the sound macro and micro-environment, South Africa's consistent and sound budgetary policies enabled the country to tap into international bond markets with feasible sovereign risk spreads. Moreover, South African government bonds were the first in Africa to be included in Citigroup's World Government Bond Index in 2012 (The World Bank, 2014). The 2012 Open Budget Index prepared by the International Budget Partnership ranked South Africa second among 94 countries surveyed (The World Bank, 2016).

It is important to note that international credit rating agencies downgraded one of South Africa's credit ratings to below investment grade or junk status in the first quarter of 2017 for the first time since 2000. This was triggered by South Africa's former President, Jacob Zuma firing Finance Minister Pravin Gordhan as well as his deputy, who are depicted by markets as steady hands (Dixon, 2017). Economists predict that the downgrade to junk status is likely to trigger a recession as its effects spread to the wider economy. Frans Cronje, CEO of the South African Institute of Race Relations stated that the downgrade complicates the prospects of South Africa's facilitation of economic recovery leading to stagnation in economic growth and revenue collection (BusinessTech, 2017).

Accordingly, the length of time it could take South Africa to move out of below investment grade status should also be considered. Research conducted by KPMG on the sovereign ratings over the past three decades indicates that countries were over time able to regain investment grade status. The analysis suggested that countries on average took seven years to regain investment grade status. Recovery strategies utilised by countries included fiscal consolidation, significant economic and political reforms, declining external and fiscal vulnerabilities, debt restructuring and economic policy reform, privation of the sovereign's holdings in private/semi-state companies, and active intervention by a newly elected government (BusinessTech, 2017).

South Africa was the first country in Africa to include government bonds in Citigroup's World Government Bond Index in 2012, which could add further to the appeal to include the

country in the association. South Africa must however focus on recovery strategies to regain its investment grade bond status.

#### **3.1.1.5.9. Contribution to peace and stability**

Throughout Africa, South Africa provides development assistance as a leader and significant contributor of multilateral peacekeeping operations, humanitarian assistance, and institutional capacity building during post-conflict reconstruction. Significantly, South Africa, along with Egypt and Nigeria, has become the most significant African contributor to the peacekeeping operations conducted by the AU and United Nations (UN) (Besharati, 2013).

Significantly, the majority of African nations are portrayed as unstable due to social, political, economic, and demographic vulnerability. The stability of African countries were illustrated in the latest Fragile State Index released by United States think tank, Fund for Peace. The index ranks countries per vulnerability to collapse based on twelve key political, social and economic indicators utilising the Conflict Assessment System Tool (CAST) analytical approach. Mauritius ranked the least fragile country in Africa and 148th in the world. Mauritius is followed by Seychelles, Botswana, Ghana, Cape Verde, Namibia, Sao Tome and Principe, South Africa, Gabon and lastly Tunisia (Akwei, 2017). Despite South Africa not being the top ranked in the continent, the country is still amongst the top 10 countries in Africa, which excludes Nigeria.

South Africa's contribution to peace on the continent is demonstrated by playing an important role in negotiating the shift from 'non-intervention' to 'non-indifference' in Africa (Beresford, 2015). South Africa's future is tied to the economic development of Africa as a whole and the establishment of stability and peace throughout the continent (SA News, 2013). Accordingly, South Africa contributes to BRICS by playing an important role in improving peace and stability in Africa.

#### **3.1.1.5.10. Pro-poor orientation**

Pro-poor orientation of public spending has contributed to enhanced development of social indicators in a range of areas. South Africa's Millennium Development Goals (MDG) on factors such as primary education, gender, several health indicators, and environmental sustainability are likely to be accomplished. Furthermore, social grants expenditure and the



number of beneficiaries have quadrupled since 1994. Social insurance programs including state old-age pensions, child support grants, conditional grants for school feeding, early childhood development, and disability grants currently cover approximately 16 million people and, at 3.5% of GDP, which is more than twice the median spending among other developing economies. These programs, overseen by the South Africa Social Security Agency (SASSA), are well targeted and provide income alleviation for the poor (The World Bank, 2014).

The fiscal process in South Africa, thus, has been particularly successful in shifting resources from the formerly privileged to the poor, without over-reaching the boundaries set by fiscal constraints and responsible macroeconomic policy mentioned above (Van der Berg & Moses, 2012). Therefore, the above programs and initiatives lead to further reasoning as to why South Africa was chosen in comparison to other developing countries to form part of BRIC

#### **3.1.1.5.11. Infrastructure and environmental management**

South Africa has 'world-class infrastructure', including modern transport network, sophisticated telecommunications and tourism facilities. The government has identified infrastructure projects as key to boosting the country's economic growth rate as well as encouraging employment. South Africa's success in hosting the 2010 FIFA World Cup, proved the country is capable of undertaking and completing major projects on time (Brand South Africa, 2016). In addition, Finance Minister, Pravin Gordhan stated in the 2017 National Budget that the government will spend over R50 billion to fund national and infrastructure projects (Naidoo, 2017).

Table 3.5 illustrates the infrastructure rankings of countries in Africa produced by the African Development Bank in 2016. South Africa is ranked in the top 10, at 4th position in Africa with an infrastructure percentage of 77.79. The top ten countries are characterised by robust performance in ICT, transport, and power. It is worth noting that Egypt is ranked higher than South Africa due to growth in road density per capita, while Libya experienced faster growth in international internet bandwidth (AFDB, 2016). Another significant factor to highlight is that Nigeria is trailing behind in infrastructure at 23rd position. The infrastructure percentage also deteriorates dramatically after the 10 top ranked countries.

**Table 3.5: Africa Infrastructure Development Index 2016**

Rank	Country/Economy	%	Rank	Country/Economy	%
1	Seychelles	93.920	28	Malawi	18.440
2	Egypt. Arab Rep.	85.660	29	Equatorial Guinea	17.920
3	Libya	77.790	30	Burkina Faso	16.560
4	South Africa	75.510	31	Angola	16.460
5	Mauritius	74.070	32	Mauritania	16.190
6	Tunisia	66.260	33	Benin	15.780
7	Morocco	62.400	34	Lesotho	15.680
8	Algeria	53.390	35	Mali	15.050
9	Cabo Verde	49.430	36	Sudan	14.670
10	Botswana	35.630	37	Burundi	14.620
11	Namibia	28.790	38	Congo. Rep.	14.460
12	Gabon	27.750	39	Guinea	14.230
13	Gambia	27.610	40	Guinea- Bissau	13.410
14	Sao Tome and Principe	27.380	41	Liberia	12.420
15	Ghana	26.090	42	Togo	12.170
16	Senegal	24.700	43	Tanzania	11.970
17	Swaziland	24.620	44	Central Africa Republic	11.860
18	Kenya	24.370	45	Mozambique	11.600
19	Zimbabwe	24.140	46	Sierra Leone	9.387
20	Djibouti	23.920	47	Madagascar	8.447
21	Comoros	22.110	48	Eritrea	8.265
22	Zambia	21.540	49	Congo. Dem. Rep.	8.163
23	Nigeria	20.060	50	Ethiopia	7.557
24	Rwanda	20.450	51	Chad	6.637
25	Uganda	20.000	52	Niger	5.336
26	Cote d'Ivoire	19.060	53	South Sudan	4.939
27	Cameroon	19.03	54	Somalia	3.355

Source: AFDB, (2016)

With regards to environmental management, South Africa is considered a global leader in biodiversity conservation and wildlife management. The network is also considered 'first-rate' of protected areas making the country an ecotourism destination (The World Bank, 2014). Table 3.6 depicts the BRICS association's ranking as well as percentage score on the Environmental Performance Index (EPI) which ranks countries' performance on environmental issues in two areas, namely protection of human health and protection of ecosystems ( Environmental Performance Index, 2016). South Africa trails behind Russia and Brazil in 3rd position, yet ranks higher than both China and India. South Africa is also the fourth highest in Sub Saharan Africa, trailing behind Mauritius, Namibia and Botswana.

**Table 3.6: BRICS 2016 Environmental Performance Index**

Country	Rank	%Score
Russia	32	83.54
Brazil	46	78.90
South Africa	81	70.52
China	109	65.10
India	141	53.58

Source: Adapted from Environmental Performance Index, (2016)

Consequently, BRICS benefit from South Africa's infrastructure and environmental management efforts.

#### **3.1.1.6. South Africa's ranking on indices**

South Africa's success, in terms of global perception and rankings in several influential indices, such as the World Economic Forum Global Competitiveness Report, the World Bank Ease of Doing Business Index, the World Economic Forum Travel and Tourism Index sets a benchmark for other developing countries to follow (Matola, 2014). The appendix table 1.1 displays the 2016/2017 Global Competitive Index Rankings. South Africa has risen two places, to 47th, out of the 138 countries studied, in the 2016 rankings (Brand South Africa, 2016). The table also displays competitors in the African continent rankings such as Nigeria which is 127th, Kenya 96th and Egypt is 115th. South Africa, therefore, is the most competitive economy in Africa. According to the report, one reason for South Africa's rise in the annual appraisal of prosperity and productivity is the ability to withstand the fall in commodity prices.

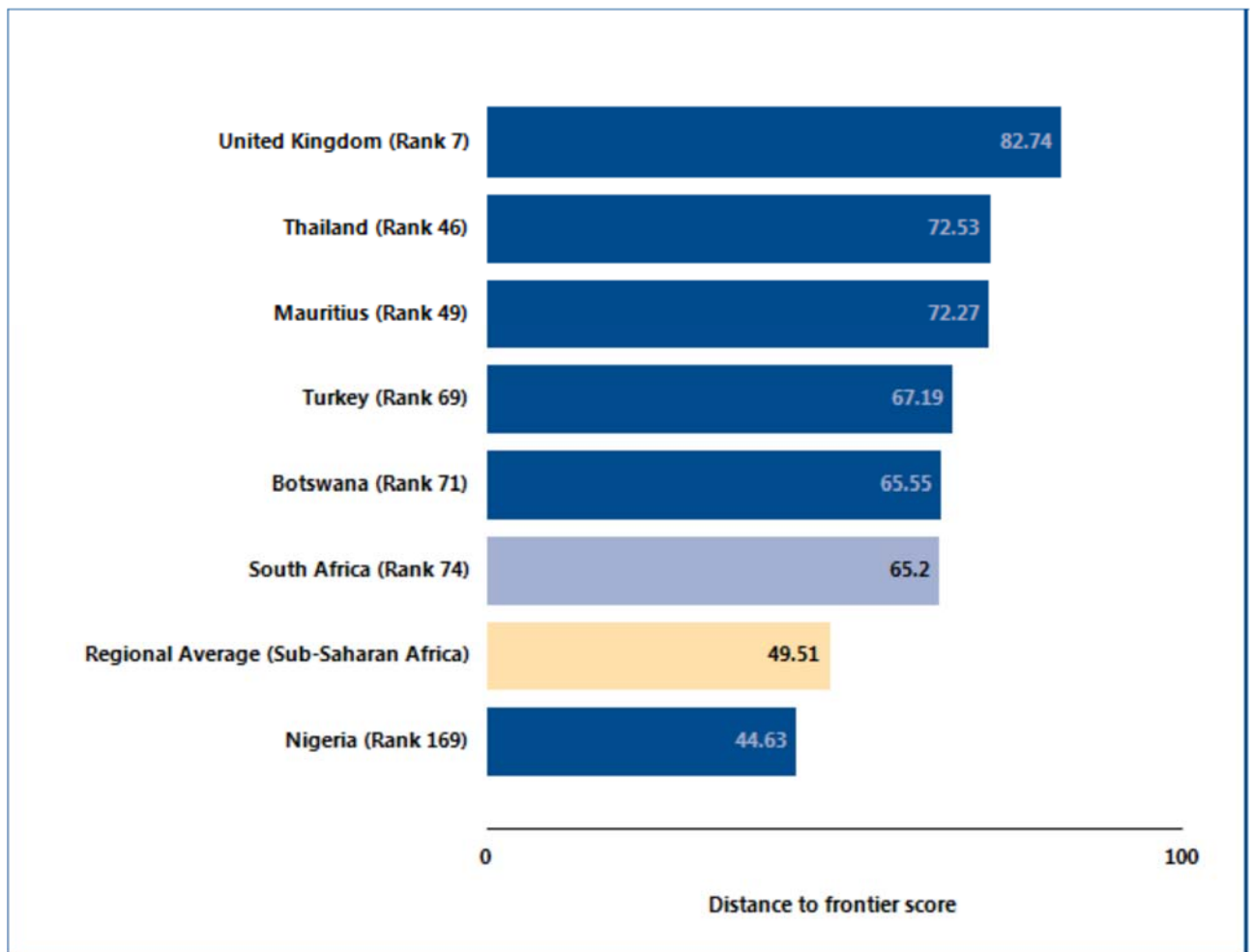
Unlike African peers and other developing economies, South Africa has also built on the strength of the financial sector, which shielded the country from the worst effects of the global economy crisis. South Africa, additionally, is ranked first out of 138 countries for auditing standards, the protection of minority investors and ability to finance through equity markets. The country is also second and third for soundness of banks and financial services, efficacy of boards and regulation of the stock exchange (Brand South Africa, 2016).

The report also highlights challenges for the economy such as the slowdown in infrastructure development in transport and electricity, diminished institutional quality, increased political uncertainty, lack of transparency, security concerns, and business

leaders having less trust in politicians. External factors such as the slowdown of the Chinese economy and the volatility of the rand have dampened future growth potential. In contrast to developed economies accepting lower economic growth rates, lower productivity growth, high unemployment, South Africa and other emerging economies have an opportunity to grow by increasing productivity (Brand South Africa, 2016).

Despite China's slowdown, it is still ranked the highest, at 28, followed by India (39), Russia (43) and South Africa. Brazil lags behind BRICS members at 81. WEF Economist, Robert Crotti, highlights that India increased competitiveness through reform improvements, especially in terms of investment and market efficiency. The Indian government also improved government policies and the macroeconomic sector, the countries technological readiness, and market and labour efficiencies. Hence, Crotti emphasised that South Africa should follow India's example to improve competitive rankings further (Brand South Africa, 2016).

South Africa ranks 74th out of 189 countries in the World Bank 2017 Ease of Doing business report demonstrated in Figure 3.1 The report is an annual survey of the time, cost and frustration of complying with legal and administration requirements of doing business (Brand South Africa, 2016). Mauritius (49) ranks above as well as Botswana in position 71. Nigeria, however ranks below South Africa at position 169. Equally significant, is the percentage average ease of doing business in Sub-Saharan Africa which is 49.51% in comparison to South Africa's 65.2% ease of doing business (World Bank, 2017). This illustrates that it is substantially easier to do business in South Africa in contrast to the majority of countries in Africa.



**Figure 3.1: Ease of Doing Business 2017 Rankings**

Source: World Bank, (2017)

In addition, according to Brand South Africa (2016) South Africa's exchange rate is considered one of the cheapest countries for foreigners to conduct business. In conjunction, 'first-world infrastructure' and high standards of living ensure value for money. While energy costs have increased in recent years, the government aims to meet increasing energy needs with renewable and efficient sources. South Africa's petroleum and telecommunication prices compares favourably with other continental markets. Professional labour costs are considerably lower than developed markets. Moreover, South Africa's corporate tax rate of 28% for the 2016/2017 tax year compares favourably with numerous developing economies (Brand South Africa, 2016).

Matola (2014) emphasised that South Africa's ranking among such indices indicate that the country's performance matches and outperforms other peer emerging countries in critical

areas of national competency. These important indicators position South Africa as a reliable trade partner as well as an attractive investment destination for BRIC members. This continued improvement in performance on the global stage is once again attributable to strong and highly focused government policies that support the countries global and regional growth goals. After approximately 20 years of democracy, South Africa occupies an increasingly strong position globally, as a developing nation, in the early 21st century. (Matola, 2014).

South Africa's achievement in world rankings underlies in its strength and innovative nature of its government policies from the National Development Plan to the National Infrastructure Plan. This indicates to the rest of the world and BRIC countries that South Africa is open for business and is a destination of choice for investment based on solid foundations. Overall. The numerous global economic indicators used to evaluate the attractiveness of a country highlight that South Africa has unique competitive strengths in the context of the developing world which are leveraged to enhance the country's competitive position. This can be viewed in the broader context of South Africa's inclusion into BRIC, and the countries competitiveness compared to other emerging countries (Matola, 2014).

#### **3.1.1.7. Industrial capability and technology**

South Africa remains a hub of technical expertise for the African continent. In light of the debate over aid effectiveness and the gradual shift towards South-South cooperation models, South Africa is increasingly being consulted by neighbours from a technical perspective. Traditional development donors, therefore, have acknowledged South Africa's strengths by funding South-South projects (Besharati, 2013). South Africa's high-tech manufacturing sectors, namely machinery, scientific equipment and motor vehicles are an increasing proportion of manufacturing production.

South Africa's technological research and quality standards are world renowned. It has developed numerous leading technologies in the field of energy and fuels, steel production, deep-level mining, telecommunications and information technology. South Africa, thus, contributes to BRICS since manufacturing output is increasingly technological-intensive (Brand South Africa, 2016).

### **3.1.1.8. South Africa's relationship with China**

South Africa's entry into BRICS may be explained in terms of the China factor. China has massive financial stakes in South Africa, mainly in banking, infrastructure, mining, transport and renewable energy. The Industrial Commercial Bank of China (ICBC) also has an investment of approximately R36 billion, equating to a 20% stake in South Africa's Standard Bank. China is also South Africa's largest trading partner with the surplus in favour of China. The infusion of the Yuan, in addition, has kept South Africa afloat during the financial crisis (Xing, 2014). Given the above, although often unsaid, China's relationship with South Africa is clearly evident of the countries invitation into the grouping since China is the most dominant constituent of the BRICS (Pinto, 2012).

#### **3.1.1.8.1. China is each BRIC member's bilateral partner**

During 2009, China became Brazil and South Africa's most important trading partner, and it also became Russia's and India's trading partner soon after. This developing of China becoming each of the BRICS members' most important bilateral economic partner, arguably lead to China having a special role in the grouping, possibly allowing it to exert considerable influence during intra-BRIC debates on whether South Africa should be included into the grouping in 2010. In this context, South Africa's inclusion has often been characterised as a 'Chinese initiative', even though negotiators from Russia, India and Brazil have been in favour of South Africa's inclusion (Stuenkel, 2013).

#### **3.1.1.8.2. China's influence on South Africa's foreign policy**

Another significant factor in China's relation with South Africa is the evidential bearing on South Africa's foreign policy. For example, in October 2011, South Africa denied a visa to the Dalai Lama to attend Desmond Tutu's 80th birthday celebrations. The spiritual leader of the Tibetans has been a critic of China for denying the right to self-discrimination to the Tibetans. The Dalai Lama was also refused a visa in 2009 on the pretext that the visit would distract the Fifa 2010 World Cup preparations. The rejection of the visa was criticised in South Africa. The Coalition of South African Trade Unions (COSATU) leader Tony Ehrenreich who emphasised even though China is South Africa's largest trading partner, morality should not be exchanged for dollars or yuan. Furthermore, there has been discontent in South Africa over the perception that China is dictating South Africa's foreign policy (Xing, 2014).

As a consequence, South Africa's membership in BRICS is seen by critics as a 'trade off' and reward for the country's 'pro-China stance'. There is no conclusive answer, however, to this allegation, yet it depicts that South Africa prioritises economic relations with China (Xing, 2014). South Africa's trade minister, Davies (2010), suggested China's rapidly expanding African presence is beneficial since it enhances competition between developed and developing countries in pursuit of resources and influence in Africa. Davies, (2010) also stipulated the delegations aim of reducing South Africa's bilateral deficit with China to achieve a mix of trade (Anderlini, 2010).

#### **3.1.1.9. South Africa represents Africa**

The BRICS countries dominate their respective regions or continents, thus, collaboration, especially in terms of economic cooperation, may influence the associations global affairs. The South African economy constitutes approximately a third of economic activity in sub-Saharan Africa and 80% of economic activity in the Southern African Development Community (SADC) (Onyekwena, Taiwo & Uneze, 2014).

South Africa's competitive advantages pertains to geographical proximity and complementary economic structure in contrast to the rest of sub-Saharan Africa (Deutch Bank, 2011). In comparison to majority of African countries, South Africa is endowed with abundant mineral and natural resources, relatively developed financial, energy, and transport sectors. As a result, the nation is seen as the continent leader in terms of infrastructure, financial institutions and outward investment (Onyekwena, Taiwo & Uneze, 2014). South Africa, therefore, enters BRICS as the most powerful economy on a fast growing, developing continent and not as a medium-small economy (Martins, 2011).

While South Africa is presented with many challenges on the African continent, its ability to exert influence over its neighbouring countries has strengthened its development as a rising regional hegemon. South Africa maintains a position of economic leadership in sub-Saharan Africa since South Africa is considered the only country on the continent that makes replenishment contributions to the World Bank's International Development Association, which provides concessional loans to the poorest countries. South Africa is also the third-largest shareholder of the African Development Bank behind the United States and Japan. South Africa is also the only African donor for the African Development Fund and is the largest donor for the South African Development Community (SADC) (Besharati, 2013).



The following section examines reasons South Africa represents Africa as well as detrimental factors that hamper its regional leadership status.

#### **3.1.1.9.1. Second most populous continent**

Following Asia, Africa is the second largest and most populous continent, consisting of 54 countries with diverse histories and growth trajectories (World Population Review, 2014). Africa is also the second fastest growing continent in the world, trailing Asia, growing steadily at a rate of approximately 5% per year over most of the last decade (South Africa Government, 2016). The African continent, in addition, is arguably the world's largest unexplored resource pool, containing an abundance of riches, including approximately 10% of the world's reserves, 40% of gold ore and 95% of platinum (South African Government Information, 2013).

Furthermore, former President of South Africa, Jacob Zuma underlined that since no other African nation is represented in BRICS, South Africa's participation represents the entire continent of Africa, with a population of approximately 1 billion (China daily, 2010). Although South Africa does not literally 'represent' other African countries, it shares similar issues such as violence, law and order challenges, economic inequality, poverty, unemployment, socially and cultural diverse populations, and democratic concerns (Provincial Treasury Republic of South Africa, 2013).

This further emphasises the research objective of the study whereby South Africa is regarded as insignificant or small when viewed as an individual country, yet not when the populous continent of Africa is taken into account. South Africa, therefore, adds value to the group as the gateway into the continent's market of a billion people and unexplored resource pool (Xing, 2014). According to Martins (2011) South Africa's inclusion, therefore, is somewhat plausible as the country has easy access to Africa's markets and resources for the 'raw material hungry' BRIC nations.

#### **3.1.1.9.2. International forums**

Another factor that may have influenced BRIC's selection is South Africa's role in global governance structures as well as its position within constitutions of the South (South African Government, 2013).

Over the last two decades, since South Africa's reacceptance into the international community, its global presence is seen to have grown significantly, to the extent that geopolitical and economic calculus of the African continent has altered. Hence, scholars argue that South Africa's material capabilities 'guarantee' its status as Africa's regional hegemon. South Africa is widely perceived as 'Africa's giant', wielding significant influence both in Africa and globally due to inclusion in global multinational organisations (Ogunnubi & Amao, 2016). South Africa is often considered the voice of the continent at various international forums (Pinto, 2012). According to Besada, Winter and Tok (2013), Jacob Zuma's above statement implying that South Africa represents the African continent and interests is therefore supported by the nation's policies and statements in various forums, such as the WTO promoting lower trade barriers for African countries.

The following section illustrates key forums that facilitate South Africa in representing the African continent.

#### **3.1.1.9.3. BASIC grouping**

BASIC is another group consisting of all BRICS members, with the exception of Russia. The association acts as a bloc under the negotiation of the UN Framework Convention on Climate Change (UNFCCC) (Bidwai, 2014). In 2007, the members first recognised that working together as a group provided both individual and mutual benefits with the possibility of adding a new voice to negotiations. Thereafter, members' frequently coordinated positions during climate negotiations (Qi, 2011). BASIC has played a vital role in shaping negotiations, which have failed to reach an agreement on co-operative climate actions to reduce greenhouse gas emissions (Bidwai, 2014).

Therefore, Brazil, China and India's interaction with South Africa in the context of BASIC contributed to generating trust between these emerging powers. Major negotiations, such as the annual Conference of the Parties (COP), provided an opportunity for members' to come together in order to test solidarity levels. Given the above reasoning, South Africa may have been considered a far more natural choice involving fewer risks of reducing the group's capacity to develop joint positions in multilateral forums in comparison to other countries competing to gain BRIC membership (Stuenkel, 2013).

As a result, it can be assumed that South Africa was chosen above larger economies in Africa or other faster growing countries due to previous interaction and negotiations with Brazil, China and India. Since South Africa was already chosen to be part of the BASIC grouping above all other African countries as well as numerous accomplishments of this association, the invitation resembled less risk in comparison to competing countries.

#### **3.1.1.9.4. India, Brazil, and South Africa (IBSA)**

IBSA can be defined as an association based on a 'common political identity'. Even though IBSA constitutes of members from different continents, the countries share similar global views and aspirations. IBSA has given rise to working groups on areas as diverse as science and technology, health, education, poverty, culture, and tourism. The association developed a network of personal and institutional contacts that essentially changed South Africa's bilateral relationships with India and Brazil, by promoting cooperation on research issues, developing stronger ties between societies, and assisting in building business relationships (Stuenkel, 2013).

Recent studies have focused on IBSA members' voting patterns in the UN General Assembly for the first five years after the grouping's inception concluded that on most occasions South Africa agreed with Brazil and India and vice versa on matters brought before the UN (Graham, 2011). Therefore, it is fair to assume that without South Africa's participation in IBSA and BASIC, the country's inclusion into the BRICS grouping would have been far more unlikely (Stuenkel, 2013).

Similar to the BASIC grouping, Brazil's and India's experience in co-operating with South Africa in terms of IBSA has built trust between the countries, making South Africa's inclusion into BRICS a relatively safe choice. According to Refilwe Mokoena, when the IBSA countries first engaged in 2003, it rapidly became clear that the three countries shared common goals on a range of global challenges. Thus, by working together in multilateral forums, especially the UN and WTO, common objectives could be furthered (Stuenkel, 2013).

Given the above, South Africa contributes to BRICS since it has already built trust with the members. At the same time, South Africa shares a common vision with members of the association which can be seen through prior dealings with IBSA and BASIC.

#### **3.1.1.9.5. United Nations Security Council (UNSC)**

South Africa holds a non-permanent seat on the United Nations Security Council (UNSC) (Dubbelman, 2011). The Security Council's primary responsibility is the maintenance of international peace and security. UNSC determines the existence of a threat to peace. In certain instances, the Council may resort to impose sanctions in order to maintain or restore international peace and security (United Nations, 2015). Consequently, South Africa's candidacy for a seat on the UN Security Council was explicitly endorsed by Africa under the aegis of the African Union at the 14th Ordinary Session in early 2010 (Serrão, 2011).

The inclusion of South Africa in the UNSC indicates growing political prominence on a global political stage. In addition, it demonstrates South Africa's commitment and belief in multilateral principles and partnerships. Of equal significance is the fact that Nigeria is also currently a non-permanent member of the UNSC (Dubbelman, 2011).

#### **3.1.1.9.6. G20**

South Africa is also the only African country represented in G20, which has become an important institution on the reform of the financial and economic global governance architecture (South African Government, 2013). Equally significant is the fact that South Africa is not among the world's twenty largest economies. Hence, the country gained G20 membership largely to increase the association's regional representation and global legitimacy (Steunkel, 2013). As the only African country in the G20 forum, South Africa may push for the strategic interests of Africa concomitant with the African agenda pillar on foreign policy (Mabera & Monkam, 2017).

Given that African regions are seeking greater representation in multilateral forums, the onus is also on African states to mobilise and collectively leverage South Africa's position in the G20 by taking ownership of the African agenda as well as outlining what the value addition of the G20 may be to the continent. Moreover, South Africa has represented African interests indirectly through participation in the G20's Development Working Group, as well as more directly, by providing feedback of G20 initiatives to the AU and the African Development Bank (Mabera & Monkam, 2017).

South Africa, thus, may argue representation of Africa's interests, given that it is the only representative from Africa on the G20 (Pinto, 2012). This highlights that South Africa has

performed relatively effectively, yet should not bear all the responsibility of representing Africa. Despite South Africa not being part of the 20 largest economies it was also selected to increase the association's regional representation. Therefore, BRICS is not considered the only association to select South Africa given the country's size and growth capacity.

#### **3.1.1.9.7. African Union (AU)**

South Africa continues to support regional and continental processes, responding to and resolving crises, strengthening regional integration, contributing to an enabling trade environment, increasing intra-Africa trade, and sustainable development opportunities via the AU forum. The AU agenda also includes initiatives to support railway and road infrastructure, power generation and distribution networks, industrial and technology parks and human resources development (South African Government, 2016). South Africa's Department of International Relations and Cooperation's (DIRCO) (2016), thus, emphasised that the country's future is linked to that of the rest of the African continent. Strengthening AU structures is a key priority for South Africa in enhancing continental integration (South African Government, 2016).

The election of a South African to head the AU in 2012 is evident of South Africa's political influence as well as economic leadership on the rest of the continent (Serrão, 2011).

#### **3.1.1.9.8. New Partnership for Africa's Development (NEPAD)**

NEPAD provides opportunities for African countries to take control of their development agenda, to cooperate more effectively with international partners (South African Government, 2016). Looking forward, South Africa has prepared the NEPAD Implementation Strategy of South Africa (NISSA) which focuses on mobilisation and alignment of resources and intuitions nationally, regionally, continentally and internationally in support of NEPAD objectives (United Nations, 2011). Thus, Africa has expanded development priorities through NEPAD (South African Government, 2016).

South Africa has played a leading role in developing NEPAD and its various sectoral strategies, mobilising African and international support for NEPAD as well as supporting structures and processes of NEPAD (United Nations, 2011). South Africa's role in NEPAD, therefore, may have facilitated entry into the BRICS collaboration.

#### **3.1.1.9.9. Southern African Development Community (SADC)**

The Southern African Development Community (SADC) is a regional economic community committed to regional integration and poverty reduction within Southern Africa through economic development (Southern African Development Community, 2012). South Africa was selected as the chair of SADC in 2016 and will host the 37th Ordinary SADC Summit scheduled for August 2017 (South African Government News, 2016).

South Africa has facilitated a 'developmental regionalism' approach that combines market integration, cross-border infrastructure development, and policy coordination to diversify production and boost intra-African trade through SADC (South African Government, 2016).

According to Ogunnybi and Amao (2016), South Africa is often regarded as a lever of progress, serving as a crucial voice of the developing world. In essence, South Africa's regional influence has been centred on the nation's material capability, which has enabled South Africa to advance an 'Afrocentric foreign policy' and granted it the role of regional power (Ogunnubi & Amao, 2016).

Given the above, the country has always been at the forefront of promoting more inclusive formations and equitable participation in both developing economies in the world system and decision-making structures. This emphasises some scholars' belief that Africa has to be repositioned in the global system to assume its rightful place (South African Government information, 2013).

Consequently, South Africa's diplomatic leadership over the past two decades in the above multiple forums added further to the attractiveness of selecting the country to form part of BRICS, which allowed it to be chosen over faster-growing economies such as Nigeria (Stuenkel, 2013). South Africa's entry, therefore, adds value to the grouping as a voice of Africa at various international forums (Xing, 2014).

Thus, South Africa is recognised as a dedicated and committed global and regional player which adds value to the country being chosen as a BRICS representative (South African Government, 2013).

#### **3.1.1.9.10. Gateway to Africa for business**

Since South Africa portrayed a relatively positive image of Africa after hosting a successful soccer world cup, South Africa may argue that it is considered the gateway to the continent for business in a way that it simply was not a decade ago. This is justified by the fact that South Africa has been at the forefront of driving Africa's regional integration efforts. The country has taken responsibility for developing continental north-south rail and road links, as well as developing and promoting infrastructure, skills, and a single free-trade zone (SAIIA, 2013).

Nevertheless, foreign investors such as Brazil and China are capable of engaging directly Africa and do not require the South African 'gateway'. Conducting business in South Africa is not necessarily simpler than in places such as Rwanda or Ghana. Yet, it still seems that this rationale proved to be a major element for South Africa's selection as the fifth member of BRICs (Steunkel, 2013).

#### **3.1.1.9.11. Largest African to Africa Investor**

Additionally, research has indicated that South Africa is the largest African investor in other African countries. South African companies are already active in approximately half of the African nations (Sciff & Faber, 2013). The country's trade in Africa increased 39 times from R11.4 billion in 1994 to R385 billion in 2015 (South African Government, 2016).

Furthermore, in 2009, a high-profile delegation of approximately 400 businessmen and bureaucrats led by President Dmitry Medvedev visited Egypt, Nigeria, Namibia, and Angola (Steunkel, 2013). South Africa increased presence in Africa from seven diplomatic and consular missions in 1994 to 47 in 2015 (South African Government, 2016). South Africa's aggregate capabilities in terms of economic, diplomatic and military capacities, in comparison to other African regions, automatically defined the nation, as a regional leader (Steunkel, 2013).

The invitation to join BRICS, thus, relates to South Africa's contribution to shaping the socio-economic regeneration of Africa. South Africa can be a voice to the less influential African developing economies. The country can also take a leading role in organising Africa states to form a strategic alliance to advance their common interests in global forums and negotiations (South Africa Foreign Policy Initiative, 2013) Despite O'Neil's view that South

Africa is 'not in the same league' as the other BRICs, he did recognise that South Africa 'can justify its position as a representative for Africa' (Steunkel, 2013).

#### **3.1.1.10. Why BRIC countries chose South Africa**

Yet, perhaps more interesting, is the question as to why the BRIC countries chose to invite South Africa, in comparison to Indonesia, Nigeria, Turkey, South Korea or Mexico. Several of the above mentioned nations are either larger economies, have higher growth rates, or both (Patel, 2012). Turkey is nearly double the size of South Africa, Indonesia more so, while Korea and Mexico are nearly three times the size. In 2010, when South Africa's potential membership was discussed, it was clear to BRIC members that economically, South Africa would always remain by far the smallest BRICS member (Steunkel, 2013).

In addition, there is little reason to believe that South Africa will improve relative growth rates. If current trends continue, Nigeria, Egypt or even Ethiopia will overtake South Africa as the regional leader. The rest of the BRICs, by contrast, are expected to continue to rise and eventually overtake traditional powers. Critics have argued, therefore, that South Africa's inclusion threatened the very notion that sustains the idea of the BRICs. Hence, in addition to its smaller size, South Africa lacks the growth outlook required to be considered an original BRIC member (Steunkel, 2013).

Yet rather than BRIC members 'opening a spot' and then deciding upon the best candidate, South Africa's inclusion appeared to have been considered implicitly for quite some time (Steunkel, 2013). Brazil and Russia welcomed China's decision to invite South Africa into the group due to the country's 'political significance'. From Brazil's point of view, South Africa could contribute to the group on the basis of both 'economic relevance' and 'constructive political action globally'. Brazil's viewpoint also emphasised that South Africa may 'expand the geographical representation' of the group at a time when it is striving to reform the multilateral financial system and intuitions, as well as 'democratise global governance'. For Russia, South Africa is depicted as a 'leading African country' in line with the 'emerging polycentric international system' (Makgetlaneng, 2011).

Thus, experts both within South Africa and globally acknowledge that while geopolitics played a role in encouraging South Africa's inclusion, economics provided the key incentive. Experts argue that South Africa's selection was driven by priorities of existing BRIC



members (Brooks, 2011). This section examines a series of reasons that helped South Africa become the group's 5th member in comparison to larger economies with higher growth rates.

#### **3.1.1.11. Relations with BRIC members**

No other 'candidate country' such as Nigeria, Indonesia, Turkey, Korea or Mexico is seen to have comparable ties to the BRIC nations. This indicates that the BRICS platform today is far more than a group of large countries with high growth rates. Rather, the association is a platform for common ideas and policy positions.

South Africa's track record demonstrated above has depicted evidence of compatibility with the BRIC group. Seen from this perspective, it becomes obvious as to why South Africa was preferred in comparison to larger or faster growing economies (Stuenkel, 2013).

#### **3.1.1.12. The rise of Africa**

BRICs increased attention to Africa is demonstrated by the potential of the African resource pool as well as the continent's growing influence in contemporary international relations (Deych, 2015). Undoubtedly, Mills Soko and Mziki Qobo (2016) acknowledge BRIC countries are not primarily driven by Africa's development concerns, rather self-fulfilling commercial interests, as well as the use of Africa to increase international legitimacy and credibility. BRICs share common desires to gain access to goods and services consumer markets in Africa. Africa is depicted as potentially profitable with an untapped market for investments and exports of manufactured commodities. Africa, in addition, is viewed as an underdeveloped market for technology as well as a cost-effective manufactured goods and services (Soko & Qobo, 2016).

In contrast, a significant factor to consider is Africa's growth deceleration to approximately 3.3% a year between 2010 and 2015 in contrast to an average real annual growth of 5.4% between 2000 and 2010. Research conducted by MGI revealed that in the long term, however, three positive trends are likely to sustain growth in Africa. Firstly, the continent contains a young population with a growing labour force, a valuable asset in an ageing world. Africa is expected to have a working-age population of approximately 1.1 billion. Secondly, Africa is still urbanising, thus, the continent still has economic benefit potential. Urban expansion is contributing to growth in household and business consumption. Lastly, African economies are well positioned to reap the benefits of rapidly accelerating

technological changes. Technological advances may unlock growth and reduce limitations and costs of physical infrastructure (Barton & Leke, 2016).

Moreover, in 2010, China overtook the United States as Africa's largest trading partner, while Brazil and India currently rank as Africa's sixth and 10th largest trading partners, respectively (Freemantle & Stevens, 2011). Russia, the BRIC country least involved in Africa so far, seeks to build stronger ties with Africa (Steunkel, 2013). As the only African country in BRICS, South Africa is expected to enhance Africa's integration in trade and policies with the four BRIC members (Davies, 2011).

Considering the long-term economic and strategic interest the BRIC countries have in Africa, selecting South Africa aimed at improving emerging powers' reputation in Africa, countering the notion that the BRIC countries are merely substituting the West in exploiting Africa's resources (Mashabane, 2013).

A reason South Africa was chosen as a BRICS member is the rise of Africa in general terms. From the BRICs point of view, the rise of Africa is of significant strategic and geopolitical importance (Steunkel, 2013). Despite slower growth, Africa is rapidly moving in the direction that will assist BRICS in becoming internationally competitive, deepening its manufacturing potential, attracting investment and boosting its trade opportunities. Since South Africa is the biggest investor in the continent, it can employ its 'BRICS muscle' to facilitate this process (ASA Accountancy SA, 2011).

#### **3.1.1.13. Engagement with Africa**

By inviting South Africa as a full member, the BRIC countries sought to signal to African leaders in general that BRIC intends to engage with Africa differently than the West's prior attempts. The relationship BRIC sought to offer Africa is one of equality and partnership with mutual benefits rather than 'unequal relationship of donor-hierarchies and conditionality's that represent the West's relationship with Africa'. South Africa's inclusion, therefore, aimed to re-conceptualise Africa's role in global affairs, as for the first time an African country became part of an exclusive grouping numerous non-African countries indicated membership interests (Mashabane, 2013).

Therefore, the other BRIC countries as a whole benefitted from South Africa's inclusion as it globalised the grouping through increased geographical diversification, providing BRIC enhanced legitimacy to represent the emerging world (Stuenkel, 2013).

#### **3.1.1.14. South Africa may not have what it takes to be part of BRICS**

South Africa's place among the BRICS raises a number of concerns. From a macroeconomic point of view, the small size of its GDP, growth and population make the inclusion in a group of large economies questionable (Soule-Kohndou, 2013).

While such drawbacks must not be discounted, South Africa still is criticised for the factors considered below.

##### **3.1.1.14.1. Economic and political challenges**

Although South Africa remains a powerful economy in the Southern African region, economic and political challenges, if not addressed, may hamper South Africa's regional and international engagement over the next decade (Sampson, 2016).

Like numerous African nations, over-reliance on resources has slowed growth since low commodity prices persist. Economic challenges include stagnation of growth over recent years, high unemployment, educational underperformance, skill mismatches, and public sector failures. With regards to political challenges, ineffective leadership arguably bears a significant proportion of the blame for South Africa's economic challenges. Inconsistent and contradictory decisions at the highest levels of the Zuma Government, often accompanied with outdated ideological perspectives undermine South Africa's moral authority. This is demonstrated by Jacob Zuma's dismissal of the Finance Minister leading the country into below investment grade bond status mentioned in the Bond Market section (Sampson, 2016).

A sustained period of decisive and focused political leadership is required in order to sustain South Africa's position as regional leader (Sampson, 2016). However, facilitating focused leadership, on 14 February 2018 former President Jacob Zuma resigned and was replaced by Cyril Ramaphosa. In his first presidential speech, Cyril Ramaphosa promised to tackle issues of corruption that proliferated under the former president (Perper, 2018)

#### **3.1.1.14.2. Nigeria's position as regional leader of Africa**

If, as predicted above, South Africa's international credibility and economic power continue to decline, the outlook for the rest of Africa may change significantly. Having already overtaken South Africa as Africa's largest economy, Nigeria may also replace the country as the leading African nation. Numerous European analysts and even South African companies now view Nigeria as having greater long-term investment return prospects in comparison to South Africa (Sampson, 2016).

Previously, corruption, and ethnic and religious divisions hampered Nigeria's regional and international engagement. Since President Muhammadu Buhari replaced President Goodluck Jonathan, the internal security situation has slightly improved. If the Buhari Government continue to improve law and order as well as reduce corruption, the country may progress towards a dominant role in Africa. By the same token, if 'Vision 20:20,' a development goal designed in 2010 to facilitated Nigeria's entry into the top 20 economies of the world by 2020 is taken into account, it may be desirable to extend BRICS to BRINCS with Nigeria contributing to the western gate of the continent (Politics Web, 2013).

Since South Africa was invited into the group in 2010, the development plan formed in 2010 also questions the timing of the invitation. Nigeria may possibly have been selected if the development plan initiated before 2010 at the time of the selection. Furthermore, as the dominant power in the Economic Community of West African States (ECOWAS), Nigeria is well positioned to expand influence in Southern Africa (Sampson, 2016).

#### **3.1.1.14.3. Foreign policy conflict**

It must be noted, that the idea of South Africa as a representative for Africa is far from problem-free (Graham, 2011). Critics contend that South Africa cannot represent the continents interests if considered detrimental to its own foreign policy objectives and economic and security concerns (Davis, 2017). According to Mokoena (2015), representing 55 countries is deemed complicated due to African countries contradicting interests and views.

In addition, South Africa's reality diverges from that of far poorer African countries that face disparate domestic and international concerns (Steunkel, 2013). However, as noted above, South Africa is aware that its future potential is directly related to that of Africa.

#### **3.1.1.14.4. Rescuing Zimbabwe**

Presently, Zimbabwe faces extreme poverty and hunger due to erstwhile 'corrupt' Zimbabwean president, Robert Mugabe. Poor leadership and corruption, therefore, remains the major challenge confronting Zimbabwe (AfricaW, 2017). As noted by Spector (2010) South Africa asserts to be Africa's natural leader, yet the country has not been able to rescue Zimbabwe. South Africa, thus, should improve issues within Zimbabwe if the country tends to truly represent Africa.

#### **3.1.1.14.5. Inequality**

South Africa remains a dual economy with one of the highest inequality rates in the world, extending both inequality and exclusion. Evidence of an advanced, modern urban economy coexists with socioeconomic poverty of disadvantaged townships, informal settlements and rural areas (The World Bank, 2014). The Gini coefficient, a standard index utilised to measure income inequality, ranks South Africa as one of the world's most unequal societies (Franklin Templeton Investments, 2017).

As a result, the poor suffer the most due to economic inequality underperformance, with 5% of the population undernourished. The bottom 10% of households with the lowest income only represents 2.5% of total income. In contrast, the top 10% of households represent 50% of the total income. The Gini-coefficient for South Africa is 63.4 in comparison to approximately 0.35 in OECD nations. South Africa's inequality, thus, is among the highest in the world (Borg, 2017)

#### **3.1.1.14.6. Poverty**

South Africa is a country possessing a turbulent history. Since the official end of apartheid in 1994, the nation has been struggling to combat poverty (The Borgen Project, 2016). The poverty rate is considered substantially higher in comparison to middle-income countries. In South Africa, 16% of the population live on a daily income of \$1.9 or less. In contrast, China contains a population of only 1.9% living on \$1a day, Sri Lanka 1.6% and Peru 3.7%. Therefore, high growth rate middle income countries have been significantly more successful in poverty reduction In order to identify countries with comparable poverty rates to South Africa, countries such as Philippines (13%) or Indonesia (15%) should be examined. However, given growth in these countries are approximately three to four times

higher than South Africa, research predicts South Africa will continue to trail such nations in the next decade (Borg, 2017).

This once again demonstrates South Africa's growth shortcoming to be considered a BRICS member.

#### **3.1.1.14.7. Unemployment**

Unemployment is another major concern hampering South Africa's growth prospects. The unemployment rate in South Africa increased from 26.5% to 27.7% (see appendix) in the first quarter of 2017. This is the highest jobless rate since the first quarter of 2004 since unemployment rose faster than employment and more people joined the labour force. In addition, the Worlds unemployment rankings illustrate South Africa as having the worst unemployment rate out of all the BRIC members. Equally significant, is the fact that South Africa's unemployment rate is almost double that of Nigeria's unemployment rate of 13.9% (TDS.RU, 2017).

Moreover, the number of social grants in South Africa increased exponentially over the past 20 years from an estimated R4 million to approximately R17, 191,121 in 2017. Former President Jacob Zuma emphasised that South Africa cannot sustain the increase in social grants (Ferreira, 2017). Social Grants currently support approximately 33% of South Africa's citizens (Rossouw, 2017). Social grants, thus, drain the economy as a limited number of people in the formal economy subsidise the majority of unskilled labour. This highlights a structural problem in South Africa where two-thirds (68 per cent) of the economically active population is employed in the formal sector while a third is employed in the informal economy. Therefore a key macroeconomic goal of South Africa is to reduce unemployment (Khan & Karodia, 2014).

Generally, South Africa's triple challenge of 'poverty, inequality and unemployment' weighs heavily on the social, political, and economic fabrics of the country. Yet, unemployment is the underlying concern which leads to South Africa's poverty and inequality challenges. South Africa's policy appears to be focused on equality and poverty, instead of resolving unemployment (Hart & Mothata, 2015). Thus, South Africa should focus on improving unemployment in order to resolve inequality and poverty.

#### **3.1.1.14.8. Opportunities for the youth**

Subsequently, youth unemployment is one of the most critical socioeconomic issues in South Africa. The youth and individuals with lower skill levels are considered most affected by unemployment in South Africa. Results from various statistic studies depict the challenge of youth unemployment in South Africa as extensive (Cloete, 2015). The latest figures depict approximately 48% of South Africans between 15 and 34 were unemployed in the third quarter of 2016. Despite policy implementation and private and public interventions, the situation has worsened over the past eight years (Sibeko, 2017).

Thus, if youth unemployment levels are not addressed, the situation will contribute to a cycle of chronic unemployment and poverty (Sibeko, 2017).

#### **3.1.1.14.9. Crime**

Despite South Africa being considered a contributor to the Commonwealth in terms of finances and culture, the nation has a long history of crime, ranging from loosely controlled military crimes to those typical associated to poverty stricken countries (Gazette Review, 2016).

The below table illustrates the Top 10 countries with the highest crime rates in 2016/2017. Each country's rank is based on United Nations Office on Drugs and Crime statistical reports, National Crime Index Reports, Reports and National Corruption, as well as reports of non-government paramilitary actions. This depicts crime at both an individual and societal level. South Africa is considered the country with the 3rd highest crime rate, above that of Nigeria in 6th position.

**Table 3.7: Top 10 Countries with the highest crime rate**

Rank	Country
1	Venezuela
2	South Sudan
3	South Africa
4	Papua New Guinea
5	Honduras
6	Nigeria
7	Trinidad & Tobago
8	El Salvador
9	Brazil
10	Kenya

Source Adapted from Gazette Review, (2016)

South Africa, therefore, needs to address crime challenges in order to contribute to BRICS.

#### **3.1.1.14.10. Life expectancy**

Furthermore, according to The World Life expectancy 2017 rankings South Africa has the lowest life expectancy in the world with a ranking of 224 and a life expectancy age of approximately 50.3 years (Geoba.se, 2017). A major factor contributing to South Africa's low life expectancy figures is the prevalence of HIV/AIDS (Businessstech, 2016).

#### **3.1.1.14.11. Slow growth**

Another, significant factor is the fact that in recent years, South Africa has consistently underperformed in comparison to most emerging economies. Despite South Africa's GDP per capita growth substantially improving since the last two decades of the apartheid regime, GDP per capita only averaged at 1.5% per year for the last 20 years (Borg, 2017).

If South Africa continues to grow at the current rate of about 0.5% for the next decade, GDP per capita will only increase to US\$13.800. With 4% GDP per capita growth in line with economies of Africa such as Côte d'Ivoire, Ethiopia, Rwanda, Senegal, Tanzania or Uganda, the living standard would increase to US\$19.500, equal to Mexico, Botswana or Mauritius. If growth had been on par with successful emerging nations at approximately 5% GDP per capita growth per year, living standards would be \$27,000 per capita, equivalent to Russia.



If South Africa could achieve the same growth rate of 5-7% as the Asian middle-income group (China, Indonesia, India or the Philippines) poverty reduction would be quicker (Borg, 2017).

Consequently, a number of South Africa's shortcomings mentioned above would substantially improve if growth figures were to increase.

### **3.2. Policy issues with South Africa included in BRICS**

The following section assesses the key issues discussed at the 2011 Leaders' Summit, which was the first summit that included South Africa to determine whether South Africa's inclusion reduced the groupings capacity to find agreement on certain policy issues or not (Stuenkel, 2013).

The first meeting with South Africa concluded with the signing of the Sanya Declaration, outlining the major commitments and areas of agreement discussed at the summit. This includes the development of a broad-based reserve currency system that provides stability and certainty, a discussion about the global role of special drawing rights (SDRs), the IMF's accounting unit, the SDRs' basket of currencies, the establishment of mutual credit lines denominated in the member states' home currencies by the state development banks of the group, the reform of international institutions such as the IMF and United Nations Security Council to reflect the interests of emerging and developing countries, the importance of renewable energies and atomic energy technologies as key elements for development, the intention to reduce the distortion of and further regulate the financial market, and the expansion and deepening of economic, trade and investment cooperation among BRICS countries (Besada, 2014).

Having considered the first summit South Africa was included in the grouping, the 2013 summit hosted in Durban marked a significant opportunity for South Africa to begin to make its mark in the grouping (Besada, 2014). South Africa outlined its own strategic value to the group by highlighting investment in expanding railways, ports, and fuel pipelines in order to unlock mineral wealth (BRICS Summit, South Africa in BRICS).

The above demonstrates that South Africa did not reduce the group's capacity to come to agreements at summits. In some instance, such as investment in mineral wealth expansion, South Africa actually enhanced summit productivity.

### **3.3. Benefits of South Africa being included in BRICS**

According to Stuenkel (2013), each of the four BRIC members reaped the benefits of cooperation during the ten years of the grouping's formation in the form of rapid economic growth and prosperity. BRIC membership acted as a catalyst for more positive positioning in the global marketplace amongst global investors and strategic investment partners, developing new business opportunities and generating large scale sources of new jobs. Ultimately, BRIC supported rapid economic growth for Brazil, Russia, India, and China. South Africa as the fifth and most recent member can learn from experience of predecessors in order to achieve similar opportunities for economic development and cooperation.

Proponents of South Africa's invitation advocate that the group offers significant benefits for the country. The below section outlays ways in which South Africa benefits from the alliance and the advantage of membership on key sectors (Besada, Tok & Winters, 2013).

#### **3.3.1. Opportunity to influence policymaking**

To some scholars, entrance into BRIC could enable South Africa to contribute to key global governance issues as well as demonstrate leadership in conflict resolution, peace and security, reconstruction, and development (Makgetlaneng 2011). Jacob Zuma emphasised inclusion in BRICS provides the opportunity for South Africa to be part of a changing world and considered an alternative voice in policymaking (South Africa Info, 2011).

Moreover, BRICS provides both South Africa and African nations the ability to be less dependent on foreign aid, policies, and advice of Western-controlled finance intuitions (SA News, 2013). In the BRICS group, South Africa will belong to the 'world's top forums for economic discussion'. In addition, BRICS provides South Africa the opportunity to influence policy alignment and build pressure to change the international economic system towards becoming more inclusive matching South Africa's South-South investments. By BRICS inclusion, South Africa will gain more visibility and political influence in decision-making and overall greater 'power' (Martins, 2014).

### **3.3.2. Enhance South Africa's strategy**

The South African cabinet adopted its BRICS strategy in September 2012. South Africa's engagement with BRICS is premised on three levels, namely to advance national interests, to promote regional integration, continental infrastructure, and industrialisation programs as well as partner with key players of the South on issues related to the reform of the institutions of global governance in the relevant financial, economic, and political spheres. The South African cabinet also aimed to further leverage economic opportunities for South Africa's development agenda, as well as that of the African continent through South Africa's participation in BRICS. South Africa, in addition, aims to work jointly towards reforms to ensure a more equitable international system (Sooklal, 2014).

Given the above, BRICS enhances both South Africa and Africa's development agenda.

### **3.3.3. Supportive international environment**

In addition to BRICS enhancing South Africa and Africa's strategy, another advantage of BRICS membership for Africa and South Africa is a supportive international environment. Since South Africa is considered the gateway and representative of Africa as demonstrated above, South Africa should strive to improve and develop Africa, which will enable South Africa and Africa to reap the benefits. The other BRICS members can play an important role in achieving these goals since the association and the rest of the world will benefit from the process (SA News, 2013).

### **3.3.4. Renewable energy and technology sectors**

South Africa's membership in the group is projected to allow the country to promote economic development through enhanced trade and investment, and expand sectors in which the country already holds a comparative advantage (Martins, 2011) BRICS inclusion could provide an opportunity for technology transfer since BRIC countries account for more than 50% of overall emerging market IT spending. Brazil, Russia, India, and China have increased capacity to bring to Africa expertise and technologies that can aid infrastructural development (Reynolds and Andersen, 2010). With higher levels of technological innovation in the BRIC nations, it is expected that BRICS membership will provide for South Africa technology sharing, joint manufacturing, marketing and research projects, and exchange programs for skills and training (D'Angelo, 2011).

### **3.3.5. Infrastructure development**

Brazil, Russia, India, and China have the capacity to bring investments, expertise, and technology into South Africa and Africa that can aid infrastructure development. In turn, infrastructure development will encourage inter-African trade and accelerate regional economic integration (Brand South Africa, 2011).

### **3.3.6. Market access**

Aiding sector enhancement, BRICS membership provides allies for South Africa in restructuring global trade, economic, and political landscape, as well as the transfer of new ideas on social development, sustainable technologies and institutional innovation. The association secures new markets for products at a time when South Africa's largest market, Europe is experiencing volatility (Gumede, 2014).

Besada, Tok and Winters (2013) also emphasise that private sector businesses are bound to experience efficient market access to BRIC countries with new international partnerships involving South African companies and those of Brazil, Russia, India, and China materialising. BRICS may enable South Africa to learn how firms in certain markets have managed to become industry leaders (Brand South Africa, 2011). South Africa's membership in BRICS, thus, also leads to opportunities for South African firms through market access (South African Info, 2011).

### **3.3.7. To improve the standard of living of South Africans**

A major reason for South Africa joining BRICS is to improve the standard of living of South Africans and the rest of the African continent (Political Analysis, 2013). BRICS countries can assist in the establishment of stability, peace, and economic development in South Africa and Africa which in turn improves standard of living conditions (SA News, 2013).

### **3.3.8. Opportunities provided by New Development Bank**

The New Development Bank (NDB)'s core areas of funding are infrastructure and sustainable development projects, as well as regional cross-border projects in energy, transport, and logistics. Therefore, the bank will also have a direct impact on the standard of living in South Africa and Africa (EURASIA Centre, 2015). Although the NDB is relatively small in comparison to traditional intuitions, it may develop into a powerful intuition. South Africa, therefore, benefits from voting rights in the bank. In particular, South Africa has the

opportunity for economic advancement through funding to undertake development initiatives. In turn, this will reduce unemployment considered above as one of the 'three challenges' (Tsarwe, 2014).

### **3.3.9. Alternative rating agency**

The association is at the early stages of forming an alternative rating agency initiative led by BRICS. The idea emerged at the 2015 BRICS summit in Ufa, affirmed by the Goa Declaration at the 8th BRICS Summit. The new agency aims at BRICS countries rating themselves as well as other countries. Thus, South Africa may benefit from a more 'balanced view' (Siddiqui, 2017). This also highlights that South Africa has not hampered the productivity at BRICS summits, as examined above.

### **3.3.10. Increase competitiveness**

The BRIC membership also presents new opportunities for South Africa to increase competitiveness levels (Wrseta, 2015). South Africa has the prospect of gaining skills and new ideas that could increase its competitiveness (Political Analysis, n.d.). Sirjjan Preet, (2014) demonstrated that by BRICS member countries building even stronger international partnerships, members can learn from each other, develop advanced skills, create jobs, and promote future growth.

Additionally, South Africa could also learn from the industrious work ethic of Asian countries, which will improve its competitiveness even further (South African Info, 2011). Membership in the group is projected to expand sectors in which South Africa holds a comparative advantage and provide international investment opportunities for organisations (Besada, Tok, & Winters, 2013).

### **3.3.11. Increase trade and investment**

BRICS is projected to allow the country to promote economic development through enhanced trade and development. South Africa's trade and investment is poised to expand through joint ventures and cooperation due to BRICS membership. The South African government is seeking to leverage its membership to seek opportunities for joint ventures, mergers, and cooperation with other BRIC countries currently investing in Africa (Besada, Tok, & Winters, 2013).

Being part of BRICS could give South Africa 'exclusive and lucrative' future trade agreements with emerging nations. To demonstrate this, South Africa's trade with BRICS countries in 2013 was approximately \$38 billion, representing a 27.5% increase in comparison to 2012. China could also become an exporter of affordable green technologies for South Africa as China positions itself as a leading global manufacturer and exporter of clean technology in the future. This may benefit South Africa as it seeks to build a low-carbon economy (Fakir, 2014).

### **3.3.12. Rapid expansion**

As demonstrated above, South Africa's population and economic size is smaller than that of Brazil, Russia, China and India which some scholars perceive as a weakness. Yet being the smallest of the BRICS countries offers possible advantages such as support and nurture of larger 'siblings'. South Africa is joining at a time when BRICS is still in the process of shaping the vision of the association. South Africa also has the opportunity to grow to a level rivalling those of the 'sibling' economies as well as rapid expansion potential due to being part of an African economic expansion (Fifth BRICS Summit, 2013).

## **3.4 Weaknesses for South Africa being included in BRICS**

Whilst it is not yet evident whether South Africa's membership in BRICS will benefit from the above mentioned factors or whether South Africa's inclusion into the group will benefit the other BRICS countries and Africa, it is evident that numerous risks are associated with its entrance into the group, both economic and political. Questions have arisen as to whether South Africa's entrance into the group could potentially entrench the differences in economic size and power between the other members (Besada, Tok & Winter, 2013).

Chiu (2014) emphasises that BRICS is a group and each country has its own situation, however, 'cracks' between the BRICS countries mainly present the economic ties between the countries are not close enough. Chiu (2014) considered the volume of BRICS trade to be inadequate, industries of members uncomplimentary, and weak information exchange links. This rift is depicted as relative compared to developed economies and are temporary fluctuations during the process of economic cyclical changes. In essence, if handled properly, Chiu (2014) emphasises that the cracks will not change the overall trend of the economic development of the BRICS countries.

Furthermore, while BRICS membership was welcomed domestically by other BRICS members, there are numerous factors and implications for South Africa internally and internationally (Dubbelman, 2011). South Africa's membership in the BRICS forum entails both opportunities and challenges for the country, the continent, and global governance (Besada, 2014).

This section examines a number of risks associated with South Africa's entry into the association.

#### **3.4.1. Leverage trade and investment relations**

While some analysts have seen BRICS inclusion as an opportunity for South Africa to leverage trade and investment relations with these countries as examined above, critiques contend that this is not a convincing argument as South Africa does not need to become part of BRICS to maximise economic cooperation with BRIC, it can do so at a bilateral level (Soko & Qobo 2011).

#### **3.4.2. Tariff barriers**

Despite numerous opportunities BRICS has to offer, access to BRIC markets has been constrained by a range of tariff barriers and complex and restrictive domestic regulations. The World Bank studies have demonstrated that it is far easier to do business in South Africa than the other BRIC countries (Soko & Qobo, 2011). This is demonstrated by South Africa's relatively high Ease of Doing Business Index examined above.

#### **3.4.3. Economic development models structure**

The economic development model of BRICS countries is regarded as significantly different from that of developed countries and regions such as the United States, Europe, and Japan. The economic growth in the five BRICS countries was established on the basis of low-cost labour, abundant mineral resources, and few technological innovations. China for example depends highly on investments for economic growth as opposed to consumption, which has no contributing value.

Russia mainly depends on the energy, military and heavy industries with underdeveloped financial sectors. China exhibits relatively low industry-chain structures, whilst South Africa,

Brazil and India do not have a comprehensive industrial system and external dependence is prominent. Economic structures, therefore, are considered inadequate (Chiu, 2014).

#### **3.4.4. Foreign policy challenges**

As mentioned earlier, the BRICS arrangement poses complications for South Africa's foreign policy, as it is not necessarily aligned with that of the other member nations. Many experts and analysts argue that integration into BRICS causes concern for South Africa's foreign policy, given that it may be difficult for the country to justify its foreign policy positions among the other wealthier countries in the forum. The cohesiveness of the BRICS forum is also cause for concern since economic goals of member nations, as well as current objectives and past and future political alliances could potentially conflict. Therefore, potential friction for South Africa's foreign policy objectives with other BRIC countries exists. Many scholars, thus, argue that there is little in terms of political and economic commonalities amongst the members (Besada, 2014).

Consequently, while both the BRICS grouping and South Africa benefitted from BRICS, it has also made South Africa's foreign policy challenges more complex. South Africa thus encounters balancing emerging power commitments as well as its role as representative of Africa's poorer nations and that of regional leader (Steunkel, 2013).

#### **3.4.5. South Africa is not a full BRICS member yet**

Stuenkel (2013) recognises that given South Africa's late arrival to the grouping, the country is not yet accepted as a 'full member' both within and outside of the country. Despite BRICS providing a platform for South Africa to promote causes such as the United Nations, the fact that South Africa is not a 'natural' member of the association is classified as a weakness (Stuenkel, 2013).

However, Shubin (2013) asserted that at the Durban Summit BRICS leaders began to work on several projects that have global potential. Shubin, (2013), therefore emphasised South Africa's integral part of BRICS rather than a 'second class member' since the nation demonstrated its capability to offer an engaging agenda to other members of the bloc.



### **3.4.6. Complicate ties to South African own region**

At the same time, South Africa's BRICS membership may complicate ties with Africa. Increasingly present on the global stage, smaller neighbouring nations may accuse South Africa of focusing more on global engagements such as BRICS in comparison to Africa's needs (Stuenkel, 2013). There is also the risk that South Africa will do little for Africa and join BRICS countries in the scramble for Africa (Fakir, 2014).

The extent to which the BRICS countries' interests in Africa converge with the continent's own interests is still uncertain. South Africa's aspirations to act as an interlocutor between BRICS and Africa also remains contested on the continent. A key challenge relates to how South Africa can navigate tensions between its 'African agenda, which entails promoting security and development on the continent in order to ensure Africa has a strong global role, its ambitions to play a leadership role on the continent, and its ability to wield influence within the BRICS, of which it is the smallest member, accounting for only about 2% of the bloc's economic power (Tshwane, 2014).

In short, South Africa's complications with Africa is a product of international needs for African representation on the global stage through initiatives such as BRICS, together with South Africa's own ambitions, rather than any regional consensus on South African leadership. Implications of this hampers South Africa's ability to fulfil basic requirements of hegemonic power such as providing public goods, security or exercising financial management which are considered consequential for its own standing, as well as that of the African continent. In particular, this suggests that competition with secondary and tertiary claimant states seeking international recognition is likely to continue to feature in intra-African politics as South Africa attempts to assert authority in the region (Alden & Schoeman, 2015).

Therefore, means by which South Africa has achieved global recognition, as Africa's representative in global politics may pose continual dilemmas that challenge best efforts to reconcile its own concerns with the need to serve as a bridge builder, facilitator and protector for the region. This is depicted by matters such as Zimbabwe, Cote d'Ivoire and Libya, where there is a clash between established regime interests and broadly held principles of solidarity and human rights.

South African foreign policy commentators thus acknowledge that acting effectively in Africa requires accepting that South Africa may be subject to intense criticism from various elements within the continent. Critics also contend that should South Africa, in pursuit of an assertive foreign policy, continuously lose support of the continent or its economic circumstances falter, the international community's own enthusiasm for South Africa may also diminish (Alden & Schoeman, 2015).

#### **3.4.7. Weakest member**

At the same time, experts have doubted the advantages of BRICS for South Africa, by emphasising that it will be difficult to politically substantiate its position among what is considered a 'wealthy' group of states (Martins, 2014). Analysts also contend that South Africa may be taken advantage of by larger BRIC members (South African Government, 2011). Fakir (2014) contends that South Africa may not be able to exert influence over BRICS countries. A further risk faced with regards to BRICS membership is that South Africa's ability to fully participate in the BRICS forum could be potentially constrained by lack of diplomatic resource, in comparison to those of the other members (Oxford Analytica, 2011).

Additionally, in an attempt to align with other BRICS nations, since South Africa is arguably the weakest member and a newcomer, the country may be forced to align with BRICS positions, which may not be in South Africa's interest. This is demonstrated by South Africa's foreign policy, criticised as being too focused on aligning with BRICS members during the climate negotiations at the summit in Copenhagen. Against this, Maite Nkoana-Mashabane assured that South Africa's interaction with fellow BRICS states is premised on three levels of engagement, namely national in the attempt to advance national interests, regional, and lastly on a global level (Stuenkel, 2013).

#### **3.4.8. Talk shop**

An equally significant factor is that critics contend that BRICS is merely a 'talk shop' comprising of annual summits without practical cooperation or specific programs. Analysts, therefore, contend that the association lacks political implications (Martins, 2014)

#### **3.4.9. Challenge to South Africa's economic interests**

Finally, according to Gumeda (2016) each BRICS country is in the alliance in order to advance individual strategic economic, trade and geopolitical interests. In the same way,

Davies (2012) points out that BRICs' move into Africa poses a challenge to South Africa's strategic economic interests, particularly in markets which South Africa has been slow to expand. Davies (2012) also argues that the rise of the BRIC countries in Africa, combined with South Africa's economic interests in the region, therefore, requires a 'delicate balancing act' by South African policy makers.

Critics contend South Africa's 'gateway narrative' in BRICS may hurt South African business interests in the region (Moore, 2012). South Africa, thus, is seen as merely the gateway for a second scramble for Africa. According to this argument, rather than attracting competitors from BRIC countries to enter Africa's markets, South African firms should first strengthen their own presence in the region (Mittleman, 2013). Therefore, South Africa faces the challenge that BRICs may erode its domestic economy, unless South Africa negotiates accordingly. BRICs countries are all targeting Africa's resources which poses a direct threat to South Africa's economy. South Africa, therefore, will only benefit from BRICS if it drives hard to bargain to defend economic interests, trade intelligently and form strategic tactical alliances with individual counties (Gumeda, 2016).

### **3.6. What must South Africa do to make BRICS work?**

According to Stuenkel (2013) a 'naïve' South Africa assuming BRICS allies will be 'charitable', which may cause South Africa to become a modern version colony of China and its economy will be overtaken by regional players such as Nigeria and Angola. As demonstrated by Gumeda (2016) above, South Africa will therefore only benefit from BRICS alliance, if it drives hard to defend economic interests, trade intelligently, and build strategic tactical alliances with individual member countries.

A key test of the BRICS bloc is the ability to promote intra-trade between the BRICS countries. For South Africa this means that the country will have to tackle a number of structural issues regarding its internal trade capacity increase global competitiveness. South Africa, therefore, needs to invest in its own and regional infrastructure. Intra-African trade barriers should be reduced for the country to provide any meaningful contribution to BRICS and enhance its international competitiveness in order to justify its position in BRICS (Dubbelman, 2011).

Furthermore, Fakir (2014) points out that South Africans should encourage the BRICS idea and insist on sound governance and safe-guards against corruption, human rights abuse, and environmental damage. These ideals must also be executed from the inception of the NDB as central tenets of its operational model as well as financing schemes (Fakir, 2014).

Since BRICS countries have the advantage of possessing large populations providing resource advantages and industrial advantages vital in international labour, comprehensive reform can promote rapid economic development. South Africa and BRIC countries should change outdated ideas and institutions in order to implement comprehensive reform. BRICS should not only focus on economic revolution without political revolution focus. Scholars consider economic development of BRICS countries to be relatively extensive, but without sufficient technology development.

To change this, both South Africa and BRIC must increase innovation levels with the promotion of continuous independent and integrated innovation. A social atmosphere of innovation should be created in order to essentially improve economic innovation by introducing and training talent, accelerate the building of an innovative environment and protect intellectual property rights with strict legal measures (Chiu, 2014). Blake (2016) demonstrated South Africa could reach its full innovation potential, by continuing to provide innovative solutions for Africa, attracting foreign individuals and institutions, improving skill transfer and education resources.

Soko and Qobo (2011) consider cultivating strong relations with the BRICs as important and in South Africa's interest. Since the global financial crisis has signalled the importance of diversifying South Africa's export markets away from Europe in order to explore new markets, particularly those in the fast-growing developing economies. The BRICs should, therefore, be an integral part of this diversification strategy, but strengthening links with BRICS should not be South Africa's only foreign economic policy goal.

South Africa's strategy should also include Africa, the Middle East, and other Asian and Latin American countries. South Africa's engagement with the BRICs must be guided by a strategic paradigm that is grounded in both South Africa's domestic needs and fundamental interests (Soko & Qobo, 2011)

Furthermore, under globalisation today, both South Africa and BRIC countries should strive for a pragmatic approach, utilising more effective measures and have long term plans to promote economic cooperation (Chiu, 2014). Regarding South Africa's recent junk status downgrade recovery strategies should include fiscal consolidation, significant economic and political reforms, declining external and fiscal vulnerabilities, debt restructuring and economic policy reform, privatisation of the sovereign's holdings in private companies, and active intervention by a newly elected government (BusinessTech, 2017). South Africa should also expand sectors it demonstrates comparative advantage in order to integrate into BRICS international commercial routes (Martins, 2014).

### **3.7. Conclusion**

Given the concern that South Africa has a smaller population and economy in comparison to BRIC countries, numerous factors contributed to South Africa's entry into the grouping, such as South Africa's inclusion fundamentally altering the nature of the grouping, making it a more global alliance and increasing cooperation in the emerging world.

Additionally, South Africa's relatively high per capita income statistics, constitutional democracy transition after apartheid, vast natural resources, advanced banking system, established corporate footprints, export ranking and diversification, largest African trading partner, a culture of innovation, strategic geographical position, a stable macro and micro financial climate, contribution to peace and security both internationally and in Africa, pro-poor orientation of public spending, infrastructure and environmental management, relatively high ranking on certain indices, industrial and technical capabilities, relations with China, Africa representation through being considered the largest Africa to Africa investor, and gateway to Africa for businesses contribute to BRICS.

The chapter also demonstrated that despite Mauritius being considerably smaller than South Africa, the island ranks higher on most indices. However, Mauritius is considered to have less of a global structure than South Africa. Nigeria ranks relatively lower on indices than South Africa.

In general, South Africa's inclusion strengthened the BRICS global visibility and legitimacy to speak for the emerging world, while not reducing its capacity to develop joint positions

(Stuenkel, 2013). South Africa's inclusion is recognition of its strategic role in Africa and its ability to act as an interlocutor between Africa and the international community rather than because of its population or GDP (Battersby & Lu, 2011).

On the basis of global economic forum membership, South Africa canvassed ambition to represent Africa's development agenda in international platforms such as BASIC, IBSA, UNCS, G20, AU, NEPAD and SADC (Ogunnubi & Amao, 2016). The chapter also demonstrated that BRICS members chose South Africa due to South Africa's relations with BRIC members as well as the rise of Africa and engagement with Africa.

This demonstrates BRICS is not decisively about a politico-economic grouping of comparable economic-demographic stature, although it is one of the determining factors in approving a country's membership (Pinto, 2012). Consequently no other 'candidate country' such as Nigeria, Indonesia, Turkey or Mexico has comparable ties with BRIC nations.

This shows that the BRICS platform today is far more than a group of large countries with high growth rates. Instead BRICS is a platform for common ideas and policy positions. South Africa's track record has shown compatibility and foreign policy alignment with the BRIC group through structures such as IBSA. This has built trust with BRIC members. In South Africa, therefore, is considered an intuitive choice involving fewer risks of reducing the group's capacity to develop joint positions in international institutions in comparison to faster growing economies (Stuenkel, 2013).

For South Africa, the inclusion into the BRICS grouping can be seen as one of the most notable foreign policy achievements over the past years, a significant step towards establishing itself as a regional leader as well as the recognised representative of the African continent (Davies, 2012). South Africa's BRICS membership thus enhanced the country's strategy and helped the country obtain a supportive international environment, sector enhancement, infrastructure development, market access, standard of living improvements, New Development Bank opportunities an alternative rating agency, competitiveness, trade and investments enhancements, and rapid expansion. Given that South Africa does not fulfil the usual requirements associated with BRICS categorisation, the above benefits would have been considered hard to achieve without BRICS membership.

Despite South Africa's above benefits from inclusion, BRICS also complicated South Africa's foreign policy challenges, demanding balance between emerging power obligations and its role as representative of Africa's poor nations and regional leader. BRICS thus complicates South Africa's ties with Africa. In the same way, critics argue that the BRICS presence in Africa is not necessarily to South Africa's advantage, even if South Africa is used as the gateway to the continent. Rather, competition from Brazil, Russia, India, and China in Africa could have negative impacts on South Africa's regional leader strategy and challenge South Africa's economic interests (Stuenkel, 2013).

In addition, South Africa may not be considered a full BRICS member in the international community. South Africa cannot increase trade on a bilateral level without BRICS. Trade barriers still remain between member countries. However, by tracing South Africa's accession to the BRICS grouping and evaluating the impact this move had for both South Africa and the BRICS strategic standing, this chapter concludes that both sides have gained considerably (Stuenkel, 2013).

On the other hand, South Africa should reduce economic and political challenges, foreign policy conflicts, rescue Zimbabwe, decrease inequality, poverty, unemployment, crime, increase growth, life expectancies, and youth opportunities and improve political leadership for a sustained period in order to resolve economic and political challenges. If these issues are not addressed, Nigeria may replace South Africa as the regional leader since the country has already overtaken South Africa as the largest economy in Africa.

In contrast, this chapter acknowledges South Africa's membership is due to 'strategic importance' rather than size. If only population and growth qualifies for BRIC membership, Nigeria would be the logical inclusion given the bloc is seeking expansion through an African partner. Certain analysts speculate that South Africa's global political prominence, especially through multilateral organisations mentioned above adds to its appeal (Dubbelman, 2011).

Although O'Neil views Nigeria as having more potential for economic growth, analysts regard South Africa as more politically important with influence, particularly through G20 membership which does not include Nigeria, given its political situation especially on critical governance issues. Although both countries are involved in regional multilateral

organisations, with South Africa operating in SADC and Nigeria a member of the Economic Community of West African States, South Africa may be viewed with more potential through its involvement with IBSA (Dubbelman, 2011).

Finally, South Africa's inclusion ultimately symbolised the BRIC countries' initiative to take ownership of the idea instead of relying on O'Neil's judgment about which country deserved to be a BRIC. The decision to invite South Africa as a full member, despite O'Neil's doubts depicted that the BRICS idea has developed into something entirely different and requires new thinking (Stuenkel, 2013). In Chapter 4, the research methodology of the chapter is discussed.



## **CHAPTER 4: RESEARCH DESIGN AND METHODOLOGY**

### **4.1. Introduction**

The previous chapter reviewed whether South Africa contributes to BRICS, in order to examine if South Africa should be a BRICS member since the country is not seen to fulfil the usual requirements associated with membership. Various factors, such as South Africa's role in Africa and the ability to act as an intermediary between Africa and the global community, were seen to add value to the argument of whether South Africa deserves BRIC membership.

In Chapter 3, BRICS is seen as a platform of countries with common goals and sound relationships which is instrumental to South Africa's inclusion. South Africa's strategic importance and global prominence on multilateral forums promoted South Africa's inclusion. Reasons as to why BRIC countries chose South Africa demonstrate that the association does not view demographic characteristics as the only component of BRIC membership.

Moreover, benefits and weaknesses which possibly would not have been attained without BRICS membership were evaluated. Actions South Africa should pursue to reach full BRIC potential were also examined in the previous chapter. Despite issues examined in Chapter 3 as to why South Africa may not possess the required attributes to be depicted as a BRIC member, the country displayed fewer risks of decreasing the association's common vision in comparison to faster growing economies.

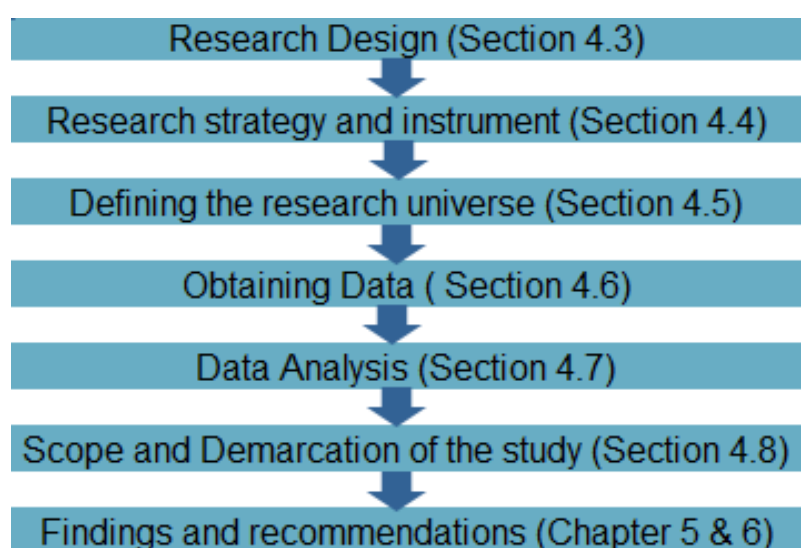
The following chapter outlines the research design and methodology utilised in the study. Research design is the basic plan which guides data collection and analyses project phases. In addition, research design specifies the type of information to be collected, the source of data, and the data collection procedure (Kumar, 2008). Methodology is the study of methods, techniques, and procedures implemented in order to gain insight in a particular field of study (Gill & Johnson, 2010).

In this chapter, the researcher discusses the research questions, research objectives, and research design and strategy. In addition, the chapter focuses on the instrument that the researcher used to collect data and research universe or industry. There is also a discussion

on the research instruments' validity, reliability, and the data analysis process as well as the presentation of the findings and recommendations.

## 4.2. The research framework

The study's research framework was highlighted in Chapter 1, Section 1.7 (refer to Figure 2). This framework can be seen as an outline of the research process to achieve its objectives followed by the research methodology in Figure 1.1. This is presented in Figure 4.1 below:



**Figure 4.1: Research process**

Source: Own compilation

## 4.3. Research design

A research design is a framework used to conduct research projects. It defines the procedures for gathering the required information to structure and solve research problems or questions and assists in achieving the research objectives (Berndt & Petzer, 2011; Cooper & Schindler, 2011; Malhotra & Birks, 2007; Saunders et al., 2013). A research design can be defined through eight descriptors (Cooper & Schindler, 2011:140) listed below:

- Classification of research design
- Method of data collection
- Control of variables
- Purpose of the study
- Time dimensions
- Topical scope
- Research environment
- Participants' perceptual awareness

These descriptors will be addressed in the following sections.

#### **4.3.1. Classification of research design**

There are two broad classifications for research designs known as exploratory research and conclusive research designs.

Exploratory research is primarily qualitative. Qualitative research aims to gain an understanding of underlying reasons, opinions, and motivations. Qualitative research is also utilised to analyse trends in opinions. It can provide a hypothesis for potential quantitative research. The sample size is often small and participants are selected to fulfil a given quota. Data collection methods often include unstructured or semi-structured techniques, focus groups which are considered group discussions, and observations (Wyse, 2011).

In comparison, conclusive research is considered quantitative research. Quantitative research generates numerical data or data which may be transformed into statistics. It quantifies attitudes, opinions, and behaviours and generalises results from a larger sample population in order to uncover patterns in research. Quantitative data collection methods include various forms of surveys and are often considered more structured than qualitative analysis (Wyse, 2011). Since the research questionnaire included ten closed-end questions which were qualitatively analysed and five open-end questions quantitatively analysed, the study utilised a combination of exploratory and conclusive research. Table 4.1 depicts the purpose as well as differences between exploratory and conclusive research designs:

**Table 4.1: Exploratory and conclusive research**

Research Project Components	Exploratory Research	Conclusive Research
Research Purpose	General: To generate insights about a situation	<ul style="list-style-type: none"> <li>• Specific:</li> <li>• To verify insights about a situation</li> </ul>
Data Needs	Vague	<ul style="list-style-type: none"> <li>• Clear</li> </ul>
Data Sources	Ill defined	<ul style="list-style-type: none"> <li>• Well defined</li> </ul>
Data Collection Form	Open Ended Rough	<ul style="list-style-type: none"> <li>• Usually structured</li> </ul>
Sample	<ul style="list-style-type: none"> <li>-Relatively small</li> <li>-Subjectively selected to maximise generalisations</li> </ul>	<ul style="list-style-type: none"> <li>• Relatively large</li> <li>• Objectively selected to permit generalisations</li> </ul>
Data Collection	Flexible No set procedure	<ul style="list-style-type: none"> <li>• Rigid</li> <li>• Well laid out procedure</li> </ul>
Data Analysis	Informal Typically non quantitative	<ul style="list-style-type: none"> <li>• Formal</li> <li>• Typically quantitative</li> </ul>
Inferences - Recommendations	More tentative than final	<ul style="list-style-type: none"> <li>• More final than tentative</li> </ul>

Adapted from: Parasuraman, Grewal and Krishnan (2011)

In addition, the below table demonstrates the various methods used to conduct research of exploratory and conclusive research classifications.

**Table 4.2: Methods of conducting exploratory and conclusive research**

<b>Methods</b>	<ul style="list-style-type: none"><li>• Expert Surveys</li><li>• Pilot surveys</li><li>• Secondary data</li><li>• Qualitative interviews</li><li>• Unstructured observations</li><li>• Quantitative exploratory multivariable methods</li></ul>	<ul style="list-style-type: none"><li>• Surveys</li><li>• Secondary data</li><li>• Databases</li><li>• Panels</li><li>• Structured observations</li><li>• Experiments</li></ul>
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Source: Malhotra and Birks (2007)

Despite the study conducting both qualitative and quantitative analysis, due to the nature of this study and the information displayed in both Table 4.1 as well as Table 4.2, the research design leaned towards exploratory research.

The primary objective of this study was to investigate whether South Africa should be included in BRICS taking into account that the country is representing the whole of Africa. A convenience sample was utilised to perform pre-testing of the questionnaire in order to determine the clarity, consistency, relevance, completeness as well as the time required to complete the questionnaire. In addition a pilot study was conducted on 5 participants (section 4.4.2.1.2). The interviews were semi-structured and the questionnaire utilised several open ended questions which increased the flexibility of the approach. The results were more tentative than final. The information required was general to gain more insight from individuals with knowledge on BRICS.

Overall, the study employed a combination of both approaches, however, leaned towards an exploratory approach.

#### **4.3.2. Method used for the collection of data**

Chapter 2 and 3 of the study provided background into the research problem. Chapter 2 introduced the formation of BRIC. Thereafter, the chapter examines the significance, commonalities, differences, strengths, weaknesses, and challenges of BRICS. Lastly, BRICS international relations with the G20, EU, IBSA, and G7 is discussed.

Chapter 3 focused on whether South Africa contributes to BRICS by examining in what manner the association benefits from South Africa's inclusion. The chapter also discusses whether South Africa represents the whole of Africa. Reasons why South Africa should not be included in BRICS is also examined. Strengths and weaknesses for South Africa's economy due to BRICS inclusion as well as actions South Africa should implement to benefit from membership are considered.

In a research study, it is necessary to determine the source of data. Thereafter, it is imperative to determine how data will be collected. There are two categories of sources for collecting data, namely primary and secondary data (Maylor & Blackmon, 2005). Primary data refers to data researchers collect themselves in order to obtain information specifically related to the research objective. This data is considered 'new', together with original research information. In contrast, secondary data is information that already exists and has been produced by someone else other than the researcher (My Market research methods, 2011).

Since the data required to obtain the research objective was not available at the time of the study, 'new' data had to be collected. The data was collected through self-administered questionnaires and by conducting semi-structured interviews to determine whether South Africa contributes to BRICS and therefore is considered original research. As a result, the data needed for this study was classified as primary data.

In addition, monitoring and communication methods can be used to collect primary data. Monitoring involves research in which the activities of a subject are observed without attempting to cause responses (Cooper & Schindler, 2011). On the other hand, the communication approach involves conducting a survey or interview and recording the participant responses for data analysis (Cooper & Schindler, 2011). Since a questionnaire and more specifically, an expert survey was used to collect information through a number of semi-structured interviews; the communication approach is applied in this study.

#### **4.3.3. Controls over variables**

There are two types of research designs, namely experimental and ex post facto design. Experimental designs enable a researcher to control and/or manipulate the variables. On the other hand, researchers have no control and cannot manipulate the variables with ex

post facto design (Cooper & Schindler, 2011). This study aimed to determine whether South Africa is worthy of being a member of BRIC. As no control was exercised over the variables tested in this analysis and the data was not manipulated, an ex post facto design was enforced.

#### **4.3.4. Purpose of the study**

This classification lies within the primary objective of the study. There are four classifications, namely reporting, descriptive, causal-explanatory, and causal-predictive. The reporting classification technique summarises and reshapes data in order to gain a deeper understanding or to develop statistics for comparison purposes. Descriptive studies intend to describe something and is concerned with finding out who, what, where or how much (Cooper & Schindler, 2011; Malhotra & Birks, 2005).

Descriptive research can be classified as either quantitative or qualitative research. Research may involve both collections of quantitative information tabulated along a continuum in a numerical form or it may describe categories of information. Moreover, descriptive techniques utilise data collection and analysis techniques that yields reports concerning measures of central tendency, variation and correlation. The combination of characteristics summary and correlation statistics, along with focus on specific type of research questions, methods and outcomes distinguishes descriptive research from other research types (AECT, 2001).

Causal research indicates cause-and-effect relationships which is an appropriate approach when researchers strive to determine which variables are the cause and which are the effect (Malhotra & Birks, 2004). Lastly, causal-explanatory classifications are concerned with understanding 'why' or 'how' one variable causes variations in another variable (Cooper & Schindler, 2011:141).

As depicted in section 4.1, the study utilised a combination of qualitative and quantitative analysis. In addition, since the primary objective of the study was to investigate whether South Africa should be included in BRICS taking into account that the country is representing the whole of Africa, it is concerned with 'who' South Africa's competitors to be part of the grouping are, 'what' the reasoning for selection was, 'where' South Africa's strengths and weaknesses lie and 'how much' both the grouping and South Africa can

benefit from the country being selected to participate in the grouping. Therefore, according to these various objectives of the study, the research classification design is best characterised as descriptive.

#### **4.3.5. Time dimension**

Furthermore, research can be classified into two time dimensions, namely cross-sectional and longitudinal studies (Malhotra & Birks, 2007). Cross-sectional studies are performed once off and serve as 'one point in time'. Longitudinal studies use the same sample and are conducted repeatedly over an extended time period (Cooper & Schindler, 2011; Malhotra & Birks, 2007; Saunders et al., 2012).

The time dimension for this study, therefore, is considered cross-sectional as the information gathered was conducted 'once off' and involved the views of people with knowledge of BRICS both in South Africa and internationally at any given point in time.

#### **4.3.6. Topical scope**

The two groupings of topical scope are referred to as statistical and case studies. Statistical studies aim to capture a population's characteristics. It is concerned with breadth rather than depth. Hypotheses and research questions are examined quantitatively. Generalisations are made on the basis of the representativeness of the sample and validity of the design.

In case studies the full emphasis is placed on a full contextual analysis of fewer events and their relationships. Even though hypothesis are sometimes used, case studies rely on qualitative data. Useful insight into problem solving, evaluation and strategy is achieved through its emphasis on detail (Cooper & Schindler, 2011). Both the statistical and case study approach were applied as the primary and secondary research questions were answered through both quantitative and qualitative analysis. A full contextual analysis was conducted without considering every single BRICS event and relationship, yet the information obtained gave useful insight into possible strategies and solutions concerning the BRICS grouping.

#### **4.3.7. Research environment**

The environment that the research is conducted in is an additional classification of research design. Field conditions are research studies conducted in the actual environment.



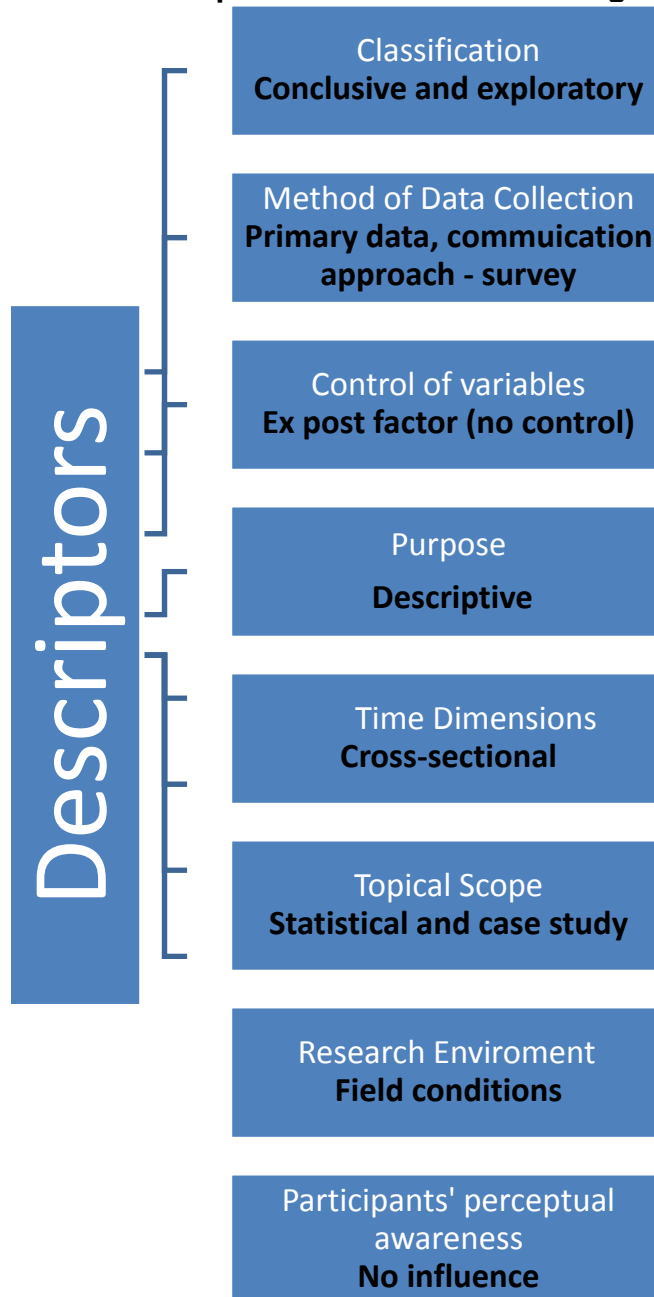
Laboratory conditions occur when research studies are performed under stage or manipulated conditions (Cooper & Schindler, 2011). Since the research was not manipulated and conducted in the various organisations or work setting of the interviewee, the field condition research environment is adopted.

#### **4.3.8. Participants' perceptual awareness**

The participants' perceptual awareness can have an influencing effect on the results of a research study. It is noted that when participants believe that something out of the ordinary is happening, they may behave in a less natural way (Cooper & Schindler, 2011). In order to avoid this, all the participants were informed beforehand via email about the study being conducted and the research objective (see Appendix cover letter). As the participants were from various companies instead of one particular company, partakers were unlikely to know who the other participants were and thus perceptual awareness was unlikely to happen. Additionally, assured anonymity encouraged impartial responses from participants.

The previous sections classified this research study's research design according to Cooper and Schindler (2011) classifications. A summary of this study's research design is presented in Figure 4.2 below:

**Figure 4.2: Descriptors of the research design**



Source: Adapted from Cooper & Schindler (2011)

The following section focuses on the research strategy and instruments used in the study.

#### **4.4. The research strategy and instrument**

The research strategy was twofold, the study first conducted a survey making use of self-administered questionnaires utilising emails as a method of communication. Secondly, the study conducted semi-structured interviews as a follow-up to the semi-structured

questionnaires to determine whether South Africa deserves BRIC membership. The next section discusses the survey approach as a research strategy and instrument that was used in the study.

#### **4.4.1. Strengths and weaknesses**

Semi-structured interviews are used to collect focused, qualitative, textual data that offers a balance between the flexibility of an open-ended interview and the focus of a structured ethnographic survey (McCammon, 2010). However, this research strategy does have respective benefits and drawbacks.

The advantages of semi-structured interviews include that the researcher can delve deeper into the given situation without having to adhere to the interview guide only. The interviewer may also explain or rephrase the questions if the interviewee is unclear about the questions and requires further information (Kajornboon, 2005). Furthermore, more valid data about a participant's attitudes, values, and opinions can be captured, especially the way in which these issues are contextualised. Semi-structured interviews also create an informal atmosphere which encourages the participants to be both open and honest (Compass Port, 2010).

On the contrary, the drawbacks of semi-structured interviews include that inexperienced interviewers may not be able to ask prompt questions. Relevant information, thus, may not be gathered (Kajornboon, 2005). Additionally, only a relatively small number of interviews can take place as each interview can last for long periods of time. Semi-structured interviews, therefore, are time consuming in terms of both data collection and analysis. Since the sample size is small the results are unlikely to be representative of a particular population. It is also difficult to directly compare the results as each interview is considered unique (Compass Port, 2010).

Moreover, the study used a questionnaire which is defined as a tool for collecting and recording information on a particular topic, which includes a list of questions with instructions as well as space for answers or administrative details. Questionnaires should always have a clear purpose to achieve the objective of the study (Sermeno, 2014). Questionnaires can also be used in a variety of survey situations namely postal, electronic, face-to-face, and telephonic. Postal and electronic questionnaires are known as self-completion tools

completed by participants in their own time, while face-to-face and telephone interviews are used by interviewers to ask a standard set of questions and record the given answers. Questionnaires used in this way are referred to as interview schedules (Corporate Research and Consultation Team, n.d.). Table 4.3 provides a summary of the advantages and disadvantages of using a questionnaire.

**Table 4.3: Advantages and disadvantages of using questionnaires**

<b>ADVANTAGES</b>	<b>DISADVANTAGES</b>
Can contact a large number of people at a relatively low cost (postal and telephone)	Response rates can be low (postal) and refusal rates high (telephone and face-to-face)
Easy to reach people who are spread across a wide geographical area or who live in remote locations (postal and phone)	There is little control over who completes a postal questionnaire, which can lead to bias
Respondents are able to complete postal questionnaires in their own time and telephone call-backs can be arranged for a more convenient time	Postal questionnaires are inappropriate for people with reading difficulties or visual impairments and those who do not read English
Telephone questionnaires can make it easier to consult some disabled people	Postal and phone questionnaires must be kept relatively short
Face-to-face questionnaires can make it easier to identify the appropriate person to complete the questionnaire	Face-to-face and phone questionnaires require the use of trained interviewers
Face-to-face questionnaires can be longer than postal and phone questionnaires, collect more information and allow use of 'visual aids'	Face-to-face questionnaires are more time consuming for respondents, more costly and labour intensive than other methods

Source: Corporate Research and Consultation team, n.d.

Following the above table, since the study aimed to target individuals with knowledge of BRICS, the postal approach was not applied as there is little control over who completes a postal questionnaire. Therefore, questionnaires were conducted via email, telephone, or face-to-face since the target population could be controlled.

Adding to the drawbacks of questionnaires, additional errors frequently occur such as inadequate sample size, non-random samples often referred to as sampling error, imperfect questionnaires, or measurement errors, as well as the inability to contact some people in the population often referred to as coverage error. The most notorious problem, however, for internet-based surveys is the failure of recipients to respond, which is known as nonresponsive error (Sivo, Saunders, Chang & Jiang, 2004).

#### 4.4.2. Survey design

A quantitative description of trends is allowed by using a survey design. On the basis of the results, a researcher can generalise or make claims about the population under investigation (Creswell, 2009). Survey techniques make use of structured questionnaires, distributed to a sample of the population. 'Structured' referred to standardisation imposed on the data collection process. The formal questionnaire used in this study was set out in a prearranged order which is referred to as structural data collection (Cooper & Schindler, 2011).

In a survey design, various questions are phrases to participants with regard to their motivations, awareness, attitudes, behaviour, demographic and/or lifestyle characteristics. These questions can be asked in writing, verbally or via email. Responses are obtained and recorded in any of the forms mentioned above (Cooper & Schindler, 2011). This technique has advantages and disadvantages which is discussed in Table 4.3 below.

**Table 4.4: Advantages and disadvantages of structural data collection**

Advantages	Disadvantages
Simple administration	Participants are unable or unwilling to supply the require information
Consistent data obtained	Participants my find requested information sensitive or personal and unwilling to respond
Variability in results are reduced	Validity may be lost for some data due to feelings and beliefs
Simple coding, analysis and data interpretation	Constraints may be imposed due to language and logic matters
Often lowest-cost option	Can result in a low response rate
Geographical cover expanded	No interviewer intervention

**Continued: Table 4.4: Advantages and disadvantages of structural data collection**

Minimum Staff required	Must not be too long or complexed
Participants have the time to think about the questions asked	Mailing lists must be updated and accurate
Data Collection is fast	Instructions will be needed

Source: Adapted from: Cooper and Schindler (2011); Malhotra and Burks (2007)

Precautionary measures were taken to minimise the disadvantages noted in Table 4.4 in the research study. This included ensuring anonymity and confidentiality, obtaining the required candidates email addresses, eliminating constraints due to language and logic by means of a pilot study. Each candidate was given instructions on how to complete the questionnaire. Many methods can be used to administrate survey questionnaires such as the telephone, personal or mail/email as well as electronic interviews (Malhorta & Birks, 2007). The communication method utilised for this study is an email sent to specific candidates to complete and return a survey with no details of the candidate on the return of the research instrument. The following table highlights advantages and disadvantages of a survey using e-mails:

**Table 4.5. Advantages and disadvantages of an e-mail survey**

<b>Advantages</b>	<b>Disadvantages</b>
<b>Less time consuming:</b> From the time of contacting the participant to the time the email is returned	<b>Target population:</b> Researcher not sure if participant is actually the representative of target population
<b>Cost effective:</b> No printing, stationary or postage costs	<b>Access to email:</b> There are many participants who do not have access to email.
<b>Interviewer swaying decision:</b> A bias interviewer is eliminated therefore a consistent form of measurement is obtained	<b>Hardware and software constraints:</b> For the questionnaire to work like it was designed to is dependent on the hardware and software of participant
<b>Better data quality:</b> Logic and validity checks can be built in.	

Source: Adapted from: Malhotra and Birks (2007)

In making use of an email survey the disadvantages were kept to a minimum. Since experts with BRICS knowledge were targeted, the participant is considered representative of the target population. The email address of each candidate was confirmed prior to sending the email questionnaire to the participant. The participant's hardware and software requirements were also checked.

The following section is focused on the research instrument and the development stages of the questionnaire.

#### **4.4.3. The research instrument**

A research instrument is the device used for collecting information relevant to the research study (Wilkinson & Birmingham, 2003). The instrument used in this research is a questionnaire aimed to obtain results to the question, 'Does South Africa deserve BRIC membership?'

The next section explains the design of how the instrument was tested by means of four studies by Kaptein (2008:928) as well as the purpose, validity, and reliability.

##### **4.4.3.1. The development of the research instrument**

###### **4.4.3.1.1. Method**

The questionnaire utilised in the study obtained feedback from:

- Academics with BRICS knowledge

A six-point Likert-type scale is used to rate each question. According to Bertram (2007), a Likert scale is defined as a psychometric response primarily utilised in questionnaires to obtain participant's preferences or degree of agreement with regard to a statement or set of statements. Likert scales are non-comparative scaling technique and one dimensional since it is considered to be only measure a single trait in nature. Participants are asked to indicate level of agreement with a given statement by way of an ordinal scale. The questionnaire is opinion based with a scale ranging from 1 = strongly disagree to 5= strongly agree. An additional option of 6= Not Sure/Not Applicable is also included for participants who did not have any knowledge of the statement asked. The below rating value is applied:

**Table 4.6: Rating value**

<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neither agree or disagree</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Not Sure/ Not Applicable</b>
1	2	3	4	5	6

A study conducted by Chomeya (2010) to analyse the quality between Likert's scale 5 and 6 points indicated:

- The study revealed that the Likert's scale 6 points tends to result in discrimination and reliability values which are higher than the Likert's scale 5 points. Likert's scale 6 points, thus, should be utilised to emphasise discrimination and reliability.
- Likert scale 6 points should be used instead of Likert's scale 5 points to reduce the risk from the deviation of personal decision making.
- Likert scale 6 is appropriate for research which has several variables in comparison to Likert 5 scale which is appropriate for few variables,

Given that the study aims to increase reliability, reduce the risk from personal decision-making deviation, and test several variables pertaining to whether South Africa contributes to BRICS, the Likert scale 6 points is applied.

#### **4.4.3.1.2. Pilot study**

In addition to performing pre-testing of the questionnaire by utilising a convenience sample of a pilot study was conducted on 5 participants.

The following section defines the pilot study that was conducted before the final questionnaire, the reasoning for conducting the pilot study, when, where and how the pilot study was conducted, the demographics of the pilot study, problems and solutions were identified through the study, as well as how the pilot studied differed from the actual study.

According to Ingle (2014), a pilot study is a trial collection of data in order to detect weakness in design and instrument as well as provide proxy data for selection of a probability sample. A pilot can be utilised as a small scale version in preparation for the major study and can be used to pre-test the research instrument (Simon, 2011).



The purpose of this process is to improve the validity of the questionnaire in order to:

- administer the questionnaire to pilot subjects in exactly the same way as it will be administered in the main study;
- ask the subjects for feedback to identify ambiguities and difficult questions;
- record the time taken to complete the questionnaire and decide whether it is reasonable;
- discard all unnecessary, difficult or ambiguous questions;
- assess whether each question gives an adequate range of responses establish that replies can be interpreted in terms of the information that is required;
- check that all questions are answered;
- re-word or re-scale any questions that are not answered as expected;
- shorten, revise and, if possible, pilot again (van Teijlingen and Huddley, 2001).

In addition, a pilot study may be conducted for a number of logical reasons which is demonstrated by the below table.

**Table 4.7. Reasons to conduct a Pilot Study**

Demonstrate the investigator's ability to conduct the proposal research and his or her familiarity with the area
Pre-test the research design or other aspects of the methodology
Provide baseline data or preliminary information to justify the proposed effects of its significance
Determine possible problems that might arise when conducting the study and solutions
Evaluate specific procedures, protocols
Develop an infrastructure for the content of the larger studies
Identification of measures
Derive publications

Source: Gitlin & Lyons, (2014)

The pilot study took place a month before the actual survey was conducted. The study was carried out by receiving responses via email and semi-structured interviews in informal locations such as coffee shops and restaurants.

The pilot study was conducted on five participants with various degrees of knowledge of BRICS to pre-test the research instrument. Each individual's questionnaire consisted of ten closed end and five open ended questions. The pilot study was conducted in two rounds. Round 1 consisted of emailing two individuals with no knowledge of BRICS the cover letter and survey in order to test how long it took to complete the survey and if they considered any questions incomprehensible. Round two involved approaching three colleagues who are considered to have some understanding of BRICS, yet are not experts and have not published an article related to BRICS to participate in a semi-structured interview. This enabled face to face feedback in order to determine if the survey is yielding the required information and gain an advanced warning of any weakness in the study. All participants in both rounds of the study gave consent to be part of the study.

The following table demonstrates the demographics of the five participants included in the pilot study in order to determine if the population included in the study will lead to reliable and valid results.

**Table 4.8. Demographics of five participants included in Pilot Study**

<b>Participant</b>	<b>No knowledge of BRICS</b>	<b>Knowledge of BRICS</b>	<b>Published an article related to BRICS</b>	<b>Resides in a BRICS country or a western country</b>
1	Yes	No	No	SA
2	Yes	No	No	UK
3	No	Yes	No	SA
4	No	Yes	No	SA
5	No	Yes	No	UK

Source: Own compilation (2016).

The next table indicates the various findings and conclusions of the pilot study.

**Table 4.9. Conclusions of the Pilot Study:**

Participant	1	2	3	4	5
Time to complete survey(minutes)	26	28	20	30	33
How survey was completed	E-mail	Email	Email	Semi-structured interview	Semi-structured interview
Reasons for conducting pilot study with the participant	Participant 1 had no knowledge of BRICS and was asked to complete the survey to detect if the questions were comprehensible, the wording was correct and the time to complete the survey wasn't too extensive	The Pilot study was conducted with participant 2 for the same reasons as participant 1 and to test the survey even further	Participant 3 with knowledge of BRICS but hasn't published an article was asked to conduct the survey via email in order to time the survey and detect if there were any weaknesses in the survey. Additionally the participant was included to establish if participants from South Africa thought South Africa should have been chosen to be part of BRICS more than other countries	Participant 4 with knowledge of BRICS was asked to conduct the survey via semi-structured interviews in order to gain more insight through conversation rather than email	Participant 5 was included in the study for the same reasons as participant 4 and to determine if individuals outside of South Africa were less biased towards South Africa's inclusion than South African's
Problems	Add "please" before the first statement and change the wording to be more professional	Found the survey relatively long and easier to answer closed end than open end questions. It was however noted that the participant had no knowledge of BRICS	When asked the question why BRICS was formed the participant kept on referring to the BRICS bank instead of the grouping. It was noted the cover letter need to be explained better to indicate to the individual to highlight their answers for the closed end questions in bold to prevent confusion and delays	Participant at first disagreed with one of the main objectives that South Africa represents Africa even though the individual is from South Africa	Participant 5 was included in the study for the same reasons as participant 4 and to determine if individuals outside of South Africa were less biased towards South Africa's inclusion than South African's. The participant from UK believed South Africa was the right choice for BRICS but the last question of who South Africa's competitors were led to a long conversation on Nigeria And Turkey which steered away from the main objectives of the thesis

**Table 4.9. (Continued): Conclusions of the Pilot Study**

Resolutions	Changed the wording and tone of the survey accordingly	More responses might be received if only closed end questions were included in the survey via email and closed and open end questions were included in semi-structured interviews	The wording of the question was adjusted to emphasize the word 'grouping' and not 'bank' and the cover letter was explained better (A heading and instructions were added). It was noted that participants with knowledge of BRICS took less time to complete the questionnaire than individuals with no knowledge of BRICS	Demonstrated to the participant that South Africa is the strongest economy in Africa and gateway to Africa	Exclude a question which led to conversation irrelevant to the main objective of the thesis
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Source: Own compilation (2016).

The demographics included in the pilot study differed from the actual study as only participants with knowledge and who have published an article related to BRICS will be included in the study in order to improve the validity of the results obtained. Individuals from both South Africa and other countries will be included in order to remove any possible biases towards South Africa being included in BRICS. However, the pilot study did not indicate any biases even if the participant was from South Africa.

Overall, the time in which participants completed the survey and semi-structured interview is considered sufficient. The majority of the questions gave an adequate range of answers and could be interpreted by the participants. Any additional issues identified in the pilot study were rectified before conducting the research.

#### **4.4.3.1.3. Measurement and ratings**

Measurement of questions and ratings is a step in most research studies which involves constructing and refining the measurement questions (Cooper & Schindler, 2011). There are three categories of questions namely:

- **Target:** These questions consist of investigative questions for a specific study.
- **Administrative:** This identifies participants, interviewers, interview locations and conditions.
- **Classification:** Covers sociological-demographic variables which allows for the grouping of participants' answers in order to reveal specific patterns and analyse. (Cooper & Schindler, 2011). In the developed and tested questionnaire, there are 15 items or questions measuring the eight constructs. These fifteen targeted questions are from all three of the above groupings and are presented in surveys and semi-structured interviews to achieve the best results.
- **Findings:** Emails were sent out to all candidates with the detailed results.

#### 4.5. Defining the research universe

The study's population and sample is discussed below:

##### 4.5.1. Target population

The population of a research study refers to a collection of all the elements, which share a common set of characteristics. The target population consists of a collection of objects that contain the information needed for a research study (Malhotra & Birk, 2007). The target population consisted of 50 participants from Brazil, Russia, India, China, South Africa and other various countries worldwide possessing knowledge of BRICS. Generally, these individuals were approached to participate in the study if they worked at a BRICS organisation, wrote an academic journal related to the grouping or had otherwise shown an interest in BRICS. Additionally, numerous participants provided referrals of other experts to contact who would be interested in taking part in the study.

##### 4.5.2. Sampling and sampling method

Sampling is the subgroup of the elements of a population, selected for a research study (Malhotra & Birks, 2005; Saunders, et al., 2012). There are a number of sampling techniques that make up the two main sampling techniques known as probability and non-probability of sampling.

#### **4.5.2.1. Probability sampling**

Units are taken randomly from the population and the goal is to ensure that the sample is representative. This goal is achieved by giving each unit in the population an equal probability of being selected. Examples of probability sampling techniques are discussed next (Barnett in Saunders et al., 2013; Cooper & Schindler, 2011; Malhotra & Birks, 2007; Maylor & Blackmon, 2005; Saunders et al., 2012).

- **Simple random sampling**

Each member of a population has an equal opportunity of being chosen. The sample is drawn by a random procedure from a sampling frame and every element is independently selected. In the sample frame each element will be assigned a number and then random numbers are generated determining the elements to include in the sample (Barnett in Saunders et al., 2013; Cooper & Schindler, 2011; Malhotra & Birks, 2007; Maylor & Blackmon, 2005; Saunders et al., 2012).

- **Systematic sampling**

This method is considered versatile probability sampling. This technique follows a systematic approach rather than using random numbers whereby each member is equally likely to be selected. This process starts off with selecting a random number and then every  $i$ -th element is succession from the sampling. The sampling interval ( $i$ ) is determined by: dividing the population size by the sample size and rounding up or down to the nearest whole number (Barnett in Saunders et al., 2013; Cooper & Schindler, 2011; Malhotra & Birks, 2007; Maylor & Blackmon, 2005; Saunders et al., 2012).

- **Stratified random sampling**

This is used when the population is not uniform and is a two-stepped process where the population is separated into sub-populations (or strata) ensuring that each sub-population is proportionally represented. The strata should be mutually exclusive and collectively exhaustive. Every population element should be assigned to one stratum and no population element should be omitted. A random sample should be drawn from each of the strata, although different probability techniques may also be used (Barnett in Saunders et al., 2013;

Cooper & Schindler, 2011; Malhotra & Birks, 2007; Maylor & Blackmon, 2005; Saunders et al., 2012).

- **Cluster sampling**

The population is divided into mutually exclusive and collectively exhaustive subpopulations. It is assumed that these clusters contain the diversity of participants that are in the target population. A sample of clusters is selected, usually using probability-sampling technique. Either all the elements in a cluster are included in the sample that is known as one-stage sampling or a sample element is drawn probabilistically known as two-stage sampling (Barnett in Saunders et al., 2013; Cooper & Schindler, 2011; Malhotra & Birks, 2007; Maylor & Blackmon, 2005; Saunders et al., 2012).

#### **4.5.2.2. Non-probability sampling**

In this type of sampling a unit has a much greater chance of been selected over another. Examples of probability sampling techniques are discussed below. (Cooper & Schindler, 2011; Malhotra & Birks, 2007; Maylor & Blackmon, 2005; Saunders et al., 2012):

- **Convenience sampling**

This is a sample selected, as it is accessible to the researcher. This sampling technique aims to obtain a sample of convenient elements and participants are often selected due to the fact that they are in the right place at the right time (Barnett in Saunders et al., 2013; Cooper & Schindler, 2011; Malhotra & Birks, 2007; Maylor & Blackmon, 2005; Saunders et al., 2012).

- **Snowball sampling**

This is a volunteer sampling technique, which occurs when a small sample becomes a larger sample. The individuals who are targeted are known to have the desired characteristics of the target population. These participants are then asked to identify others who also belong to the target population of interest, which leads to a snowball effect (Barnett in Saunders et al., 2013; Cooper & Schindler, 2011; Malhotra & Birks, 2007; Maylor & Blackmon, 2005; Saunders et al., 2012).

- **Quota sampling**

The researcher selects the characteristics that the sample should have by ensuring that the sample represents certain characteristics of the population chosen for the specific research study. This form of sampling is often used in street interviewing and is a two-stage restricted judgmental sampling technique. The first stage is to determine quotas of population and the second stage is selecting sample elements on the basis of convenience or judgement. There is freedom in selecting the elements to be included in the sample and the only requirement been the selected elements should fit the control characteristics (Barnett in Saunders et al., 2013; Cooper & Schindler, 2011; Malhotra & Birks, 2007; Maylor & Blackmon, 2005; Saunders et al., 2012).

This research study made use of non-probability sampling as participants with knowledge of BRICS had a much greater chance of being selected than other individuals. More specifically, the snowballing approach was applied as the individuals targeted had the desired characteristic of being considered a BRICS expert. These individuals were then asked to identify other people who meet the desired target population characteristics to participate in the questionnaire. On numerous occasions, participants voluntarily gave referrals.

Additionally, the quota sampling technique was utilised as judgement is used to determine whether the participants meet the requirement of having BRICS knowledge for a successful questionnaire response. The population consisted of 50 participants in both manager and non-manager positions. Out of a population of 50 participants, only 30 questionnaires were returned fully completed while 20 were considered incomplete questionnaires, which resulted in a total response rate of 60%. Semi-structured interviews were further conducted on selected nine of the 30 participants as follow up to the received self-administered questionnaires.

#### **4.6. Data obtained**

The questionnaire was sent via emails to all selected participants in the samples. The participants were given 30 days to complete the questionnaire and numerous reminders were sent out. The questionnaires were received via e-mail with the participant's name blocked out if they required anonymity.



#### **4.6.1. The BRICS questionnaire**

The questionnaire was designed to obtain specific information regarding the question 'Does South Africa deserve to be a member of BRICS', and possible reasons as to why South Africa was chosen to be part of the grouping. In addition it tested the participants' views on specific aspects to BRICS concerning South Africa. Table 4.9 displays the reasons these questions were proposed to participants.

**Table 4.10: Reasons for proposed questions in questionnaire**

<b>Topic</b>	<b>Rationale</b>
BRICS demographics	<ul style="list-style-type: none"> <li>• To ascertain if South Africa was selected due to their geographic position</li> <li>• To identify if there was a better choice of country from Africa</li> <li>• To establish if South Africa is a convenient hub between all BRICS members</li> </ul>
BRICS structure	<ul style="list-style-type: none"> <li>• To identify if South Africa will benefit the structure of BRICS Members</li> <li>• To establish the reasons BRICS was formed and if South Africa meets this criteria</li> </ul>
BRICS choice	<ul style="list-style-type: none"> <li>• To identify if South Africa was the correct choice to become a BRICS member</li> <li>• To determine why BRICS was formed and if South Africa meets these requirements</li> </ul>
Advantages and disadvantages for South Africa being a BRICS member	<ul style="list-style-type: none"> <li>• To establish if there are any benefits for South Africa being a BRICS member and what the advantages are</li> <li>• To ascertain if there are any drawbacks for South Africa being part of BRICS and what these disadvantages may be</li> </ul>
Advantages and disadvantages of South Africa's inclusion into the grouping for BRICS	<ul style="list-style-type: none"> <li>• To ascertain what South Africa can contribute to BRICS members</li> <li>• To establish if South Africa hinders BRICS members growth and in what way</li> </ul>
BRICS Summits	<ul style="list-style-type: none"> <li>• To identify if BRICS summits were more productive before or after South Africa became a member</li> </ul>
Relationships	<ul style="list-style-type: none"> <li>• To determine whether South Africa has strong relationships with African countries to be considered the gateway to Africa</li> <li>• To establish whether South Africa was chosen to represent the African continent based on sound relationships with the various BRIC countries</li> </ul>
Goals	<ul style="list-style-type: none"> <li>• To determine if South Africa was chosen as it shares a common vision with other BRIC members</li> </ul>
South Africa's participation in other groupings such as IBSA and BASIC	<ul style="list-style-type: none"> <li>• To establish whether South Africa was chosen in comparison to other countries as it had already worked with certain BRICS countries in IBSA and BASIC</li> </ul>
BRICS Bank	<ul style="list-style-type: none"> <li>• To determine whether experts agree or disagree on the formation of a BRICS bank</li> </ul>

Source: Own compilation (2016).

#### 4.6.2 Semi-structured interviews

In order to facilitate the interpretivist approach explained above, a thematic approach is utilised to analyse the open-ended questions. According to Braun and Clarke (2006), thematic analysis is defined as method for identifying, analysing, and reporting patterns within data. Thematic analysis minimally organises and describes a data set in detail as well as interprets various aspects of the research topic. Table 4.10 describes Braun and Clarke's (2006) phases of thematic analysis applied when conducting the qualitative analysis in the study.

**Table 4.11: Phases of thematic analysis**

Phase	Description of the process
Familiarising yourself with your data:	Transcribing data (if necessary), reading and re-reading the data, noting down initial ideas.
Generating initial codes:	Coding interesting features of the data in a systematic fashion across the entire data set, collating data relevant to each code.
Searching for themes:	Collating codes into potential themes, gathering all data relevant to each potential theme.
Reviewing themes:	Checking in the themes work in relation to the coded extracts (Level1) and the entire data set (Level 2) generating a thematic 'map' of the analysis.
Defining and naming themes:	Ongoing analysis to refine the specifics of each theme, and the overall story the analysis tells; generating clear definitions and names for each theme.
Producing the report:	The final opportunity for analysis. Selection of vivid, compelling extract examples, final analysis of selected extracts, relating back to the analysis to the research question and literature, producing a scholarly report of the analysis.

Source: Braun and Clarke (2006).

Braun and Clarke's (2006) step-by-step guide during thematic analysis is applied to analyse the five open ended questions. This process starts when the researcher begins to identify patterns of meaning or potential interest in the information collected. The end point is the reporting the patterns in the data identified before, during and after the analysis. This approach emphasises that analysis involve constantly moving back and forward between the entire coded data set and analysis of data produced. Thus, data is analysed utilising a recursive process where the analyst moved back and forth throughout the phases rather than a linear process which entails moving from one phase to the next.

The next section explains each phase of Braun and Clarke's (2006) approach that was applied throughout the qualitative analysis:

#### **4.6.2.1. Phase 1: Familiarising yourself with the data**

Since the researcher collected data through interactive means, there was some prior knowledge of information and various initial ideas. Additionally, the researcher immersed herself with the data by reading information in an 'active way' which entails searching for meanings and patterns as well as 'repeated reading' of the data. At this stage the verbal data collected from the semi-structured interviews was transcribed into a written form and the questionnaires received via email were considered to be transcribed already. The transcription convention was also applied in order to retain the original nature of the verbal data.

#### **4.6.2.2. Phase 2: Generating initial codes**

After a list of ideas is generated from phase 1, various codes were produced. According to Braun and Clarke (2006), codes refer to the most basic segment, element, of the raw data that can be assessed in a meaningful way regarding the phenomenon. Thereafter, the coding process which entails a systematic process to condense extensive data sets into smaller analysable units through creation of categories and concepts derived from the data (Lockyer, S, 2004). Coding was conducted manually rather than through software programs. The researcher worked systematically through the entire data set, giving full and equal attention to each data item, identifying repeated patterns across the various questionnaires.

#### **4.6.2.3. Phase 3: Searching for themes**

After the lists of codes were identified across both the data set, a broader level of themes relating to each code is developed. Saldana (2009) defined a theme as an outcome of coding, categorisation, and analytical reflection, in comparison to something that is, in itself, coded. At this stage, the relationship between themes, codes, sub-themes, and extracts of data related to themes were identified and linked.

#### **4.6.2.4. Phase 4: Reviewing themes**

This phase involves the refinement of candidate themes identified in the previous phase. During this phase it became evident that some themes were inter-linked, others did not have

enough data to support them and other themes were broken down into separate themes. In essence, the themes were all fitted together at this stage.

#### **4.6.2.5. Phase 5: Defining and naming themes**

At this point the themes were refined further and the data within the themes were analysed in order to explain the themes.

#### **4.6.2.6. Phase 6: Producing the report**

This stage involved the final analysis and writing up the results chapter of the thesis.

#### **4.6.2.7. Phase 7: Qualitative data reference system**

In addition to thematic analysis, a qualitative interpretivist approach is utilised (Archer & TL Brown, 2013). Semi-structured interviews and observations were conducted to give detailed descriptive information on whether South Africa is worthy of its BRICS membership. This research approach uses an inductive approach.

An inductive approach condenses raw data into a brief format, establishes clear links between the evaluation of research objectives and the summary findings derived from the raw data, and develops a framework of underlying structural processors that are evident from the findings (Thomas DR, 2014).

#### **4.6.3. Reliability and validity**

Reliability and validity are two indicators used to determine the extent to which an empirical indicator represents a theoretical concept. Reliability is defined as the extent to which an experiment, test, or any measuring procedure generates the same results in repeated trials. An indicator of a research study is valid if it measures what it intends to measure. Therefore, validity represents the relationship between the concept and the indicator (Carmines, et al., 1979).

It is argued in literature that the researcher should ascertain that reliability and validity of the data collection instruments are ensured. The researcher, therefore, should ensure data collection instruments are measuring what they are intended to measure. Furthermore, a

link should be established between data collection instruments and the literature sources on which theoretical concepts are based (Denzin, 2009).

#### **4.6.3.1. Reliability**

Denzin (2009) defines reliability as the degree to which the instrument is utilised for data collection is consistent and produces the same results for repeated trials. Reliability testing possesses characteristics of dependability, consistency, accuracy, and comparability (Creswell & Clark, 2007).

Structured interviews increase reliability since answers are easy to replicate and a fixed set of closed end questions are used, which are easy to quantify. However, these interviews lack detail and are not flexible. Unstructured interviews are more flexible, rich in detail, and increase validity because it allows for a deeper understanding, clarification, and enables the interviewee to steer the direction of the interview (McLeod, 2014). Since the research combined both structured and unstructured interviews, the data emphasises the advantages of each approach.

Although a proportion of information collected from the semi-structured interviews was qualitative, a section of the interview required interviewees to apply a Likert scale ranking of perceived standardised factors. This 'mixed-method' approach enabled quantifiable comparisons between largely emotional and attitudinal input and observation of the emergent themes from the research to be linked to the literature, increasing the validity of the research framework (Parker & Mobey, 2004).

The reliability of the study was ensured by conducting a pilot study to determine the consistency, completeness, relevance, and the required time to complete the questionnaire. A literature review was conducted to link the conceptual framework of the study with the questionnaire to ensure the objectives of the study were achieved.

According to McMillan and Schumacher (2006), the stability of the measuring instrument is achieved by expert evaluation. For this purpose, the questionnaire was assessed by a qualified statistician. Consistency is maintained with a structured questionnaire based on the theoretical framework of the study.

#### **4.6.3.2. Validity**

Kimberlin and Winterstein (2008) argue that validity is taken into account to ensure the instrument measures what it purports to measure. Its primary purpose is to increase accuracy and usefulness of findings by eliminating or controlling as many confounding variables as possible, which enables greater confidence in the findings of the study (Graziano & Raulin, 2010).

Bolarinwa (2016) categorises validity into face, content, criterion-related and construct validity. De Vos et al. (2006) assert that construct and criterion takes years of examining. Hence, it was not the purpose of this study to examine construct and criterion validity. According to Johnson (2013) face validity refers to the extent the research instrument appears to measure what the research is intended to measure. Content validity refers to how accurately questions measure the concepts being analysed (Marczyk, 2005).

Validity in this study was maintained by focusing on both face and content validity. To achieve face validity, questions were constructed in accordance to research objectives of the study. Content validity was ensured by determining the clarity relevance, completeness, consistency and time required to complete questionnaire by a pilot study.

#### **4.7. Data analysis plan**

Marshall and Rossman (1999) attest that data analysis is considered the process of bringing order, structure, and meaning to the mass of collected data. Mouton, (2011) argues data analysis is a practice of breaking up the data into manageable themes, patterns, trends and relationships. According to Schostak and Schostak, (2008) there are two methods used to analyse data, namely qualitative and quantitative. As previously stated, a combination of qualitative and quantitative research methodologies were employed for the purpose of retaining the advantages of each approach.

For the purpose of this study, Microsoft Excel, descriptive analysis (section 4.3.4), and Statistical Package for Social Sciences (SPSS) software were used to analyse the quantitative data obtained through the survey. Microsoft Excel was utilised to capture data for the qualified statistician into spreadsheets to ensure the data was prepared sufficiently for statistics analysis. McGraw, (2007) asserts descriptive statistics is concerned with

quantitative data and the methods for describing the information. The use of descriptive statistics is motivated by the small sample size of the analysis since only individuals with knowledge of BRICS or who have published a BRICS article participated in the questionnaire. Therefore, descriptive statistics made adequate provision for the statistical analysis of the small sample size not chosen at random.

Features of descriptive statistics such as frequency distributions and central tendency measures were used to summarise the data. The term frequency distribution refers to the way observations of a given variable behave in terms of absolute, relative or cumulative frequencies. Frequency distributions may be presented in a table or graph (Duquia et al., 2014).

For the purpose of the study, frequency distributions were presented in the form of a table. Central tendency is defined as the statistical measure that identifies a single value as representative of an entire distribution. Mean, median and mode are three commonly used measures of central tendency, all of which are applied in the study (Manikandan, 2011).

However, Manikandan (2011) also notes central tendency measures may not be adequate to measure data. Inefficiencies occur due to two entirely different data sets containing the same mean. Therefore, in order to describe data, variability measures given by measures of dispersion should be examined. Range, interquartile range and standard deviation are three commonly used measures of dispersion. The most appropriate descriptive techniques were used to interpret the data.

Furthermore, SPSS enables the input of raw data to modify and reorganise the data in order to carry out a wide range of simple, statistical and multivariate analysis (Blaxter, 2010). All statistical analysis in this study were computed by a qualified statistician utilising the Statistical Package for Social Sciences (SPSS) software.

Qualitative data results in large amounts of detail, which must be reduced to represent the major phenomenon of the findings (Woods, 2011). The researcher utilised an inductive approach which condenses raw data into a brief format, establishes clear links between the evaluation of research objectives and the summary findings derived from the raw data and



develops a framework of underlying structure or processes that are evident from the findings to analyse the qualitative data (Thomas, 2014).

In addition to the inductive approach, thematic analysis was utilised to examine the qualitative data. According to Braun and Clarke, (2006) thematic analysis is defined as method for identifying, analysing, and reporting patterns within data. Thematic analysis minimally organises and describes a data set in detail as well as interprets various aspects of the research topic.

#### **4.8. Delimitation of the study**

The study focused specifically on adults considered to have knowledge of BRICS. Adults considered to have insufficient levels of knowledge of BRICS, therefore, were excluded from the study. The targeted population, thus, focused on individuals between the ages of 25 and 60.

#### **4.9. Permission to conduct study**

The cover letter which adequately explains the objectives and purpose of the study was submitted to each individual participant to request permission to conduct the study. Prior to collecting data a meeting was held with the IMF or relevant intuition manager, who then informed employees with knowledge of BRICS of the study and they were urged to extend the message to colleagues. The researcher, thus, obtained permission to interview selected employees in the IMF and World Bank with sufficient knowledge of BRICS.

Permission was also received to obtain the name of employees within the target population from various banks and industries, as well as various departments within the banks. Each participant granted permission to collect data and was given the opportunity to withdraw consent to take part in the questionnaire at any point in the research process.

#### **4.10. Ethical considerations**

Leedy and Ormrod (2012) attest that whenever human beings or creatures with potential to think, feel and experience physical or psychological distress are included in the study,

ethical implications should be considered. There was a need to advocate ethical considerations, since a questionnaire was utilised to obtain information from human beings. Laerd, (2012) highlights ethical principles in research should include obtaining informed consent from potential research participants, minimising the risk of harm to participants, protecting their anonymity and confidentiality, avoiding the use of deceptive practices and giving participants the right to withdraw from the research.

Participants were provided information on their rights, documented on the cover letter. Participants were given the opportunity to refuse participation or withdraw their consent to take part in the questionnaire at any point in time during the research process. In the case where a participant chooses to withdraw, all the data obtained from this particular participant will be discarded. Participants will be asked to give their consent, which allows them to continue in the research process. Participants were not exposed to any undue physical or psychological harm.

Privacy, anonymity and confidentiality of participants and the participants company's identity were preserved by taking precautionary measures to protect their privacy. Each participant was referred to as 'Participant 1-30'. Therefore, names and dates have not been disclosed when publishing results. The results of the study were sent via email to participants. Lastly, the researcher obtained an ethical clearance certificate from UNISA ethical committee which served as approval that the research met ethical requirements.

#### **4.11. Conclusion**

This chapter presented the research analysis in order to gain information to assess the primary and secondary objectives of the study.

In the first section, the research framework used in the study was discussed. Thereafter, the components constituting the research design were illustrated. Thirdly, the survey approach and questionnaire which is considered the research strategy and instrument was demonstrated. The target population and research universe used in the study was defined. Lastly, this section explained how the data was obtained and the rationale for forming the questionnaire is explained.

Additionally, the questionnaire was adjusted according to the findings of the pilot study. The next chapter will include the qualitative and quantitative analysis of the questionnaire and results of the study.

## **CHAPTER 5: Findings**

### **5.1. Introduction**

The previous chapter focused on the research design and methodology of the study. In this chapter, captured data from the qualitative and quantitative research is presented, analysed, described, and interpreted in a systematic manner. Emphasis, therefore, is placed on the implementation of Chapter 4 and the interpretation of the data collected. The results of the questionnaire received from individuals with knowledge of BRICS were analysed and interpreted in accordance with the research objectives.

The section firstly presents the research results as an analysis of quantitative data that was recorded by the questionnaire. The analysis of the qualitative data is followed by an analysis of the qualitative data obtained from both the questionnaires and semi-structured interviews. Moreover, it is important to remain mindful that the data from the quantitative and qualitative sections are connected, in that the results of the quantitative data contributed to the development of the qualitative data.

The methodology used to collect data for this research study delivered comprehensive results as the responses obtained from the participants were considered sufficient to achieve the research objectives. The results were used to address the primary and secondary research objectives. The primary and secondary objectives were constructed from the research objectives (see section 1.5) in order to achieve results that would explain whether South Africa is worthy of the BRIC in BRICS.

A questionnaire was constructed based on the research questions and supported by the literature review. The questionnaire was divided into subsections to collect data on each research objective. The data collected on the research objectives is discussed by using numerical descriptive statistical techniques and a qualitative, interpretivist approach.

The use of descriptive statistics rather than inferential statistics is motivated by the small sample size of the analysis since only individuals with knowledge of BRICS or who have published a BRICS article participated in the questionnaire. Therefore, descriptive statistics

made adequate provision for the statistical analysis of the small sample size not chosen at random.

The descriptive statistical techniques utilised in the study included standard deviation, minimum, maximum, average, median, skewness, and kurtosis. Each question in the questionnaire was analysed by means of descriptive statistics and will be discussed in sections 5.1 To 5.10. The most appropriate descriptive techniques were used to interpret the data.

The results obtained from the first ten questions of the questionnaire are analysed in the remainder of the chapter. Each question will be discussed according to the following structure:

- the participants' demographics are discussed before the questions to determine any bias towards South Africa being part of BRICS if the participant is from South Africa, a BRICS country, or developed economy;
- each of the first ten questions in the questionnaire is stated, followed by a brief introduction;
- the descriptive statistics of the results follow the introduction;
- a concluding remark is made on each question before introducing the next question of the question.

In addition, this section describes how the last five open-ended questions of the questionnaire were analysed and the results that were obtained.

A qualitative, interpretivist approach is utilised (Archer & Brown, 2013). Semi-structured interviews and observations were conducted to give detailed, descriptive information on whether South Africa is worthy of BRICS membership. This research approach uses an inductive approach and views meaning and knowledge as being constructed from personal experience. The researcher is considered being inherently part of the process in the role of a co-constructor of meaning (Archer & Brown, 2013). An inductive approach condenses raw data into a brief format, establishes clear links between the evaluation of research objectives

and the summary findings derived from the raw data and develops a framework of underlying structure or processes that are evident from the findings (Thomas, 2014).

For this study, the primary researcher is South African and an outsider to the BRIC context, which meant that little about the grouping was taken for granted. The researcher's knowledge of the South African economy allowed for questions and prompts in the semi-structured interviews that could examine the validity of South Africa being accepted in the grouping.

According to Archer and Brown (2013), the interpretivist paradigm acknowledges subjectivity is inevitable in qualitative data collection, analysis, and interpretation. This is reduced by providing backup for interpretations in the form of the participants' direct quotations, as well as transparency about the researcher's background and applied approach. The principles of trustworthiness and peer debriefing were utilised to ensure that the participants believed their views were accurately portrayed in the analysis (Archer & Brown, 2013).

The participants involved in the research, data collection, and capturing, together with the results obtained from the questionnaire are discussed in both the quantitative and qualitative analysis below.

## **5.2. Response rate – self-administered questionnaire**

Response rate is a function of contacting participants in order to gain cooperation. In addition, it often refers to the total number of participants who completed and returned the questionnaire (Jha, 2008).

The study applied purposeful sampling in order to include a range of views on whether South Africa contributes to BRICS. The researcher selected the population to participate in research. This is referred to as nonprobability sampling (Herek, 2012). Participants selected were considered knowledgeable about BRICS in order to provide rich sources of information. Following a successful pre-testing, 50 potential participants were contacted to participate in the study. Out of the returned 30 questionnaires, 21 were returned fully completed and nine semi-structured interviews were conducted, which resulted in a total response rate of 60%. A study conducted by Herek (2012) highlights that the use of

appropriate sampling methods and an adequate response rate must be evaluated in conjunction with the sample size. Therefore, given the sample size, the response rate is adequate. Additionally, according to Fincham (2008), response rates approximating 60% should be the goal of researchers. Aspects of anonymity were seen to contribute positively to the response rate.

Furthermore, research reveals that representativeness is more important than response rate in research. Representativeness refers to how effectively the sample drawn for the questionnaire research compares with the population of interest (Fincham, 2008). Given that nonprobability sampling was applied and participants selected were considered knowledgeable of BRICS, the sample is considered to possess representativeness.

### 5.3. Participants' residential area

The perspective from participants residing in BRICS countries and outside and the detailed sources of information received from participants contribute to the validity of the study.

The group of 30 participants involved in the study's area of residence is described in Table 5.1 below:

**Table 5.1: Participant's' area of residence**

Participants area of residence	Number of participants included in research
South Africa <b>Total</b>	<b>13</b>
BRIC countries <b>Total</b>	<b>8</b>
Brazil	1
Russia	1
India	2
China	4
NON BRICS countries <b>Total</b>	<b>9</b>
USA	5
United Kingdom	4

Source: Own composition (2017).

The table demonstrates that 13 participants involved in the study reside in South Africa, eight reside in Brazil, Russia, India, and China, and nine reside in the United States of

America and the United Kingdom. Therefore, the research is not considered biased towards South Africa's inclusion in BRICS since participants residing in numerous countries participated in the study.

#### **5.4. Data collection and capturing**

Data for this study was generated through completed emailed responses and semi-structured interviews from individuals who have published BRICS articles or who possess knowledge of the association. Out of a total sample of 50 questionnaires, 30 questionnaires were received fully completed, and nine semi-structured interviews were conducted. . Notes were taken during interview discussions and all information was captured electronically.

#### **5.5. Findings - self-administered questionnaires**

Following the quantitative analysis, the below section provides a qualitative analysis of the last five open-ended questions of the questionnaire.

##### **5.5.1. Question 1**

##### **To what extent do you agree or disagree that South Africa deserves to be part of BRICS?**

This question arises from the mixed opinion of analysts when South Africa was invited by the original members of BRIC to join the group. O'Neil has long contended that South Africa lacks similarities with BRIC since the country is too small for BRICS status. In fact, O'Neil emphasised that South Africa's inclusion, in essence, weakened the group's power (Naidoo, 2012). Moreover, numerous analysts emphasised that South Africa is a declining economy in Africa. Even within Africa, scholars considered South Africa's growth sluggish due to high unemployment and industrial unrest in comparison to many African countries (Smith, 2013). On the contrary, some analysts were of the opinion that South Africa represented Africa, and although its GDP and demographics do not meet the requirements of the group, there is not a single criteria for BRICS membership (Smith, 2013). Table 5.2 reflects the frequency table which provides a view of the percentage distribution across the Likert-scale categories.



**Table 5.2: Frequency table: Does South Africa deserve to be part of BRICS**

	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Strongly disagree	1	3.300	3.300	3.300
Disagree	5	16.700	16.700	20.000
Neither agree or disagree	1	3.300	3.300	23.300
Strongly agree	12	40.000	40.000	63.300
Strongly agree	11	36.700	36.700	100.000
Not sure/Not Applicable	0	0.000	0.000	0.000
Total	30	100.000	100.000	

Source: Own composition (2017).

Table 5.2 depicts that the majority of participants either agreed (40%) or strongly agreed (36.7%) with the statement that South Africa deserves to be part of BRICS. Only 16.7% disagreed, 3.3% strongly disagreed and 3.3% neither agreed nor disagreed. Table 5.3 depicts the descriptive statistics used to summarise and describe characteristics of the dataset. Descriptive statistics are used to determine if a sample is normally distributed and is a measure of central tendency (Shah, 2017).

**Table 5.3: Descriptive statistics table: Whether South Africa deserves to be part of BRICS.**

<b>N</b>	<b>South Africa deserves to be part of BRICS</b>
Valid	30.000
Missing	0
Mean	3.900
Median	4.000
Standard deviation	1.185
Skewness	-0.995
Standard error of skewness	0.427
Kurtosis	-0.050
Standard error of kurtoses	0.833

Source: Own composition (2017).

The average of the responses out of 5 is 3.9. The median which represents the rating of the average participant was 4 out of 5. The collected responses were skewed negatively at -0.995 indicating that the graph is left tailed. The kurtosis of the question is -0.05 which suggests that some responses were away from the mean. This is supported by the standard deviation that was calculated of 1.185. Table 5.4 displays a one-sample t-test of the data

calculated to determine whether the average ratings differ significantly from the mid-value of 3.

**Table 5.4: One-sample t-test: Does South Africa deserve to be part of BRICS (H0:  $\mu=3$ )**

T	4.161
Df	29.000
p-value	0.000
H0	Reject

Source: Own composition (2017).

The table illustrates a t-value of 4.161. Thus, the participants agreed with the statement since the value is above the mid-value of 3. Despite the mixed opinion of analysts, the results suggest that the majority of the participants were of the opinion that South Africa deserves to be part of BRICS.

### **5.5.2. Question 2**

**To what extent do you agree or disagree that South Africa is part of BRICS because it is a convenient geographical hub between the other BRIC members?**

This question aimed to determine whether participants were of the opinion that South Africa was chosen to be part of BRICS because of its favourable geographic location and its position relative to other members. According to Brand South Africa (2016), South Africa's position at the southern tip of the continent gives South Africa access to 14 countries in the SADC with a combined market of approximately 250-million people.

South Africa is also considered a sound launchpad to the islands off Africa's coast, the Gulf States and India. Moreover, the country is a trans-shipment point between emerging markets such as Central and South America as well as newly industrialised nations such as South and Far East Asia. Major shipping lines also pass along South Africa's coastline in the South Atlantic and Indian Oceans. The country's seven commercial ports are considered the most efficient network in Africa (Brand South Africa, 2016).

It was considered that the one problem with BRICs was that no African countries were included, which suggested that the continent was of economic irrelevance and only provided raw materials to the rest of the world. It also cast doubt on BRICs goal to speak for the emerging world (The Economist, 2013)

Fakir (2014) emphasised that if the Middle Eastern situation worsens and there is a possible threat to access the Suez Canal, commodities such as oil and gas will need to flow through an alternative route. This is when South Africa's coastal waters and diversion of trade between Asia, Atlantic, and Europe will become vital, even if the route is long and expensive. Fakir (2014) was therefore of the opinion that South Africa's strategic geographic location serves as one of the most important characteristics for BRICs.

In contrast, Sandretto (2016) emphasised that the vastness of Africa significantly complicates access. South Africa's location at the far southern tip of the continent implies geographically the country is only close to a handful of other African countries. In addition, while South Africa possesses developed networks of roads, railways and airports for moving people and goods within the country, links to other regions are considered limited.

Much of the layout of current rail infrastructure utilised today is a legacy of colonial policies that were focused not on economic development, but on shipping raw materials to the coast. As a result, regions are not effectively connected by rail or road with air transport the most viable link. Moreover, the cost to ship items via ground transport across Africa can be very high, not only because of distances involved, but due to infrastructure conditions.

Such considerations are relevant when deciding whether to base operations in South Africa. On the other hand, South Africa has valuable airports with numerous departures to cities across the continent and internationally. Yet, certain products and raw materials are considered uneconomic to ship via air (Sandretto, 2016). Table 5.5. Illustrates a frequency table of the responses captured from the questionnaire.

**Table 5.5: Frequency table: Whether South Africa is part of BRICS because it is a convenient geographical hub between the other BRIC members.**

	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Strongly disagree	3	10.000	10.000	10.000
Disagree	14	46.700	46.700	56.700
Agree	10	33.300	33.300	90.000
Strongly agree	3	10.000	10.000	100.000
Not sure/Not applicable	0	0.000	0.000	0.000
Total	30	100.000	100.000	

Source: Own composition (2017).

Although 33.3% of participants agreed that South Africa is part of BRICS because it is a convenient geographical hub between the other BRIC members, this table displayed that the majority of the participants disagreed (46.7%) with this statement. Table 5.6 illustrates the descriptive statistics of question 2.

**Table 5.6: Descriptive statistics table: Whether South Africa is part of BRICS because it is a convenient geographical hub between other BRIC members**

<b>N</b>	<b>South Africa is part of BRICS because it is a convenient geographical hub between the other BRIC countries</b>
Valid	30.000
Missing	0
Mean	2.870
Median	2.000
Standard deviation	1.279
Skewness	0.266
Standard error of skewness	0.427
Kurtosis	-1.390
Standard error of kurtoses	0.833

Source: Own composition (2017).

The table depicts a mean and median, both out of 5 is 2.87 and 2.00. The collected responses skewness is 0.266. The kurtosis for the question is -1.390, which suggested majority responses were away from the mean. The standard deviation is calculated at 1.279.

**Table 5.7: One-sample t-test: Whether South Africa is part of BRICS because it is a convenient geographical hub between the other BRIC members (H0:  $x=3$ )**

T	-0.571
Df	29
p-value	0.573
H0	Accept

Source: Own composition (2017).

The table depicts that t-test is -0.571. The hypothesis, therefore, is accepted indicating majority of the participants disagreed with the comment.

Overall, the results indicated that participants felt that South Africa was not a favourable geographical hub between members. The majority of the participants, thus, agreed with the findings of Sandretto (2016) demonstrated above. Participants felt this way because South Africa is at the very southern tip of Africa, which is considered relatively far from members in comparison to competitors such as Egypt and Turkey which is closer to Europe and Asia. However, this could be seen as an advantage for BRICS as the grouping is expanding their geographical reach.

### 5.5.3. Question 3

**Do you agree that Africa represents a sizeable economy and large population when compared to Brazil, China, Russia, and India?**

This question arose since numerous analysts did not welcome South Africa's inclusion into BRIC emphasising that the presence of the country will drag down BRICS (Naidoo, 2012). The question also emerged since South Africa is the newest and smallest member of BRIC, with a population of approximately 50 million in comparison to China's population of 1 billion (Smith, 2013). Moreover, analysts such as Duncan Clarke, an economist and chief executive of Global Pacific and Partners did not welcome the inclusion of South Africa into the group, claiming the country is a declining economic power in Africa (The Guardian, 2013).

On the contrary, proponents of South Africa's inclusion in BRICS demonstrated that although South Africa fails to meet BRIC requirements in terms of demographic and GDP

characteristics, there is not a single criterion for BRICS membership (Davies, 2013). Catherine Grant from the South African Institute of International Affairs also argues that the size of the economy was only considered a factor when BRIC was an investment construct by O'Neil, but it is now a political rather than an economic grouping (Beatty, 2013).

Davies, the chief executive of Frontier Advisory argues that the 'S' in BRICS should represent the SADC, which has a market of over 250 million people, larger than both that of Brazil and Russia (South African Government News Agency, 2011). In addition, since South Africa is the only country from Africa to be included in the association, the country could be seen to represent the entire continent of Africa. Following Asia, South Africa is ranked the second largest country by population (Rosenberg, 2017). Thus, the question intended to examine whether it is fair to justify South Africa's inclusion on the basis of size when South Africa is considered to represent Africa's entire population without the economic risks of relative African countries. Table 5.8 illustrates a frequency table of responses captured from the questionnaire.

**Table 5.8: Frequency table: Whether Africa represents sizeable economy and large population when compared to Brazil, China, Russia, and India**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly disagree	10	33.300	33.300	33.300
Disagree	12	40.000	40.000	73.300
Neither agree or disagree	1	3.300	3.300	76.700
Agree	6	20.000	20.000	96.700
Strongly agree	1	3.300	3.300	100.00
Not sure/Not Applicable	0	0.000	0.000	0.000
Total	30	100.000	100.000	

Source: Own composition (2017).

Table 5.8 exhibited that the majority of participants either disagreed (40%) or strongly disagreed (33.3%) with the statement. Table 5.9 illustrates the descriptive statistics of the relative question.

**Table 5.9: Descriptive statistics: Whether Africa represents sizeable economy and large population when compared to Brazil, China, Russia, and India**

<b>N</b>	<b>Africa represents sizeable economy and large population when compared to Brazil, China, Russia and India</b>
Valid	30.000
Missing	0.000
Mean	2.200
Median	2.000
Standard deviation	1.215
Skewness	0.826
Standard error of skewness	0.427
Kurtosis	-0.501
Standard error of kurtoses	0.833

Source: Own composition (2017).

The average of the responses out of 5 was 2.2 and the median was 2.0 out of 5. The collected responses were skewed positively at -0.995 indicating that the graph is left tailed. The kurtosis of the question is 0.826 which suggested that some responses were not away from the mean. This was supported by the standard deviation that was calculated of 1.215. Table 5.10 depicts the t-statistics of question 3.

**Table 5.10: One-sample t-test: Whether Africa represents sizeable economy and large population when compared to Brazil, China, Russia, and India (H0:  $x=3$ )**

T	-3.607
Df	29
p-value	0.001
H0	Reject

Source: Own composition (2017).

Additionally, a t-test was calculated to see if the average ratings differ significantly from the mid-value of 3. Since the t-value was -3.607, the ratings differ significantly from the mid-value and the participants disagreed with the statement.

In conclusion, the results indicated that participants were of the opinion that Africa is not a sizeable economy and does not have a large population in comparison to BRIC members. This question varied depending on how each participant classified the sizeable economy and population of a continent. Although Africa is considered the continent with the second

highest population, participants disagreed with the statement due to Asia containing the highest population. Participants also indicated Africa possesses the lowest GDP per capita which measures the economic output of a country by accounting for its population (Quainoo, 2017). However, the participants may have also disagreed with the statement as it was contemplated in an inconclusive manner without considering numerous other factors that constituted to Africa's economy such as untapped opportunities and abundancies of natural resources.

#### **5.5.4. Question 4**

**Does South Africa represent the whole of Africa, therefore making it a reasonable choice to be part of BRICS?**

As seen above, in order to justify South Africa's membership due to demographic shortfalls, this question was formed on the basis that although South Africa is in a political and strategic sense a sound fit for the grouping, it's membership continues to be contested with many analysts pointing out that South Africa's economy cannot be compared to that of member economies. In fact, many individuals conducting analysis from an economic perspective still prefer to use BRIC rather than BRICS, thus purposely excluding South Africa.

Despite South Africa not meeting certain material resource requirements of the grouping, the country's inclusion is justified on the basis of representation and legitimacy (De Coning, Mandrup & Odgaard, 2015). In addition, the association demonstrated the need for a member of the continent to be a voice of Africa. Therefore, this question aims at emphasising that although South Africa is the smallest member among the BRICS member when it stands alone, it is not the smallest member when it is taken into account that the country represents the whole of Africa.

Since South Africa is the only African member of the G-20, the country carries the weight of possessing the voice on issues faced by African countries. Although, South Africa has no official mandate to represent any other country but itself, there is pressure to ensure that the G-20 understands the impacts that decisions may have on African non-members (Makokera & Wood, 2014).



Additionally, South Africa is the only African member part of the IBSA grouping. South Africa has also been elected as the chair of the SADC grouping and has always taken a leadership role in the group (SANews, 2017). In more general terms, South Africa's diplomatic leadership over the past two decades in multiple forums ranging not only from IBSA to the UN but also to regional bodies such as the AU added further to the attractiveness of including South Africa, and allowed it to be chosen over a faster-growing Nigeria (Steunkel, 2013). All these factors add to South Africa representing the whole of Africa.

However, some analysts emphasised that South Africa cannot represent Africa, as even though it is a developing country it is considered unique from the rest of the African countries given its history and economic growth levels (Tordjman, 2009). Furthermore, differing economic interests among both BRICS and South Africa, and other African countries could make it difficult for South Africa to represent Africa.

Even if South Africa provides a strong voice for the continent, pushing Africa's agenda may be a significant challenge. For example, revitalising manufacturing is a core component of both South Africa and Africa's goals, however Chinese and Indian manufacturing companies will also want to access African markets.

BRICS implications for Africa will depend on the strength of the grouping itself, South Africa's influence within the group and how South Africa chooses to represent Africa's interests (Kaplan & Vussonji, 2013). Table 5.11 represents the frequency table for this question:

**Table 5.11: Frequency table: Whether South Africa represents the whole of Africa, therefore making it a reasonable choice to be part of BRICS**

	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Disagree	7	23.300	23.300	23.300
Neither agree or disagree	3	10.000	10.000	33.300
Agree	14	46.700	46.700	80.000
Strongly agree	6	20.000	20.000	100.000
Not sure/Not applicable	0	0.000	0.000	0.000
Total	30	100.000	100.000	

Source: Own composition (2017).

This table shows that 46.7% of the participants agreed with this statement, 23.3% disagreed and 20% strongly agreed. Therefore, the majority of participants were of the opinion that South Africa represented Africa. Table 5.12 represents the descriptive statistics of the question.

**Table 5.12: Descriptive statistics: Whether South Africa represents the whole of Africa, therefore making it a reasonable choice to be part of BRICS**

<b>N</b>	<b>South Africa represents the whole of Africa, therefore making it a reasonable choice to be part of BRICS</b>
Valid	30
Missing	0
Mean	3.630
Median	4.000
Standard deviation	1.066
Skewness	-0.465
Standard error of skewness	0.427
Kurtosis	-0.991
Standard error of kurtoses	0.833

Source: Own composition (2017).

The mean of 3.63 also indicated that participants were of the opinion the South Africa represents Africa. The skewness of -0.465 indicated that most responses were lower than the mean. The kurtosis was -0.991 illustrates a left tailed distribution as a kurtosis of 3 represents a normal distribution. The standard deviation indicates a spread of 1.066 around the mean. Table 5.13 illustrates the t-statistics obtained for the question.

**Table 5.13: One-sample t-test: Whether (South Africa represents the whole of Africa, therefore making it a reasonable choice to be part of BRICS (H0:  $x=3$ )**

T	3.254
Df	29
p-value	0.003
H0	Reject

Source: Own composition (2017).

The t-test is 3.254 did not differ significantly from the mid-value of 3, which suggests majority of participants agreed with the statement.

The results, evidently, indicated that the majority of participants felt that South Africa is the voice of Africa, which has been demonstrated through various organisations such as IBSA and SADC. Even though economic development has varied from the rest of the continent, this has enabled South Africa to represent Africa. Therefore, despite the outcome of the previous question, participants were of the opinion that South Africa is a reasonable choice to be included BRICS when the whole continent is considered.

#### **5.5.5. Question 5**

**Were BRICS summits more productive after South Africa was included in the grouping?**

The main aim of this question is to determine if participants felt BRICS summits were more productive before or after South Africa's inclusion in order to justify South Africa's invitation into the grouping by the level of summit efficiency.

Since the creation of BRICS, the grouping has expanded coordination in two main areas, namely, coordination in international meetings and organisations, and construction of a multi-sectorial cooperation agenda amongst members (Ministry of Foreign Affairs, 2016). The Ministry of Foreign Affairs (2016) demonstrates the main accomplishments of the annual summits in Table 5.14 below:

**Table 5:14: Main accomplishments of annual summits**

Summit dates and locations	Summits' main accomplishments
First Summit: Yekaterinburg, Russia, June 2009	The <b>First Summit</b> inaugurated cooperation at the level of Heads of State and Government of the BRIC (South Africa was still not a member). Held against the backdrop of the 2008 financial crisis, the meeting focused on economic and financial issues, with emphasis on the reform of international financial institutions and the role of the G-20 in the recovery of the world economy, besides discussion of political issues such as the need for reform of the United Nations. In addition to the Declaration, the First Summit issued a follow-up document titled 'Prospects for the Dialogue between Brazil, Russia, India, and China'.
Second Summit: Brasilia, Brazil, April 2010	The <b>Second Summit</b> , held in Brazil, deepened the political coordination among the BRIC members and was characterised by the significant expansion, throughout 2010 of intra-BRIC cooperation initiatives – a meeting of the Heads of Statistical Institutes and the publication of two papers with joint statistics of the member countries; a meeting of Ministers of Agriculture; a Presidents of Development Banks meeting a <i>Think Tank Seminar</i> ; a meeting of Cooperatives; a Business Forum and the Second meeting of National Security Advisors. In addition to the Brasilia Declaration the document: 'Follow-up Document on Cooperation between Brazil, Russia, India, and China ' was issued.
Third Summit: Sanya, China, April 2011	With the admission of South Africa, the <b>Third Summit</b> consolidated the composition of what became the BRICS. Given South Africa's economic relevance in the African continent, its constructive political engagement on the international scenario, and its geographic representativeness, the new member provided an important contribution to the mechanism. Besides deepening the previously established sectorial cooperation, the Sanya Summit launched new initiatives in areas such as health, science and technology. A meeting of ministers of trade was held in association with the Summit with a view of discussing the course of the Doha Round. In the Declaration, the partners reaffirmed the need to reform the United Nations, for the first time making reference to the necessity of enlarging the composition of the Security Council. In addition to economic and financial issues, the document mentions issues such as: condemnation of terrorism; incentive for the use of renewable energies and the peaceful use of nuclear energy; importance of the Millennium Development Goals and the eradication of hunger and poverty. Annexed to the Declaration, an Action Plan was approved in the Summit outlining guidelines aimed at deepening existing cooperation and exploring new areas. In addition to other ministerial meetings, the Action Plan institutionalised the Foreign Ministers meetings at the margins of the General Debate of the UN General Assembly.

**Table 5:14 (Continued): Main accomplishments of annual summits**

Fourth Summit: New Delhi, India, March 2012	Beyond the traditional Summit events, which consolidated and deepened the two pillars of BRICS - coordination in multilateral forums, and intra-group cooperation - the <b>Fourth Summit</b> laid the foundations of a third pillar: financial cooperation with third countries through the establishment of the BRICS Bank, an institution led by the five countries aimed at financing infrastructure and sustainable development projects in the BRICS and other emerging economies and developing countries. The Fourth Summit Declaration established a working group to study the feasibility of this initiative. Additionally, following through previous understandings, two agreements were signed between the BRICS Development Banks, in order to facilitate credit approval in local currencies.
Fifth Summit: Durban, South Africa, March 2013	The <b>Fifth Summit</b> was held under the theme 'BRICS and Africa. Partnership for Development, Integration and Industrialisation'. The Durban meeting concluded the first round of BRICS Summits, each country having hosted a meeting of Heads of State or Government. The main results of the Summit were: kick-starting the negotiations of the Contingence Reserve Arrangement, with an initial mount of US\$ 100 billion (paragraph 10 of the Declaration); adoption of the 'BRICS Development Bank' viability and feasibility report and the decision to proceed with understandings to launch the new institution (paragraph 9 of the Declaration); signing of two agreement between the BRICS Development Bank' viability and feasibility report and the decision to proceed with understandings to launch the new institution (paragraph 9 of the Declaration); signing of two agreements between the BRICS Development Banks (paragraph 12 of the Declaration); establishment of the BRICS Business Council and establishment of the BRICS Think Tanks Council. Following the closure of the Summit, BRICS representatives met with African leaders in a Retreat under the theme 'Unlocking Africa's Potential: BRICS and Africa Cooperation on Infrastructure
Sixth Summit: Fortaleza, Brazil, July 2014	The <b>Sixth Summit</b> was held in Fortaleza, Brazil, in July 2014 with the theme 'Inclusive Growth: Sustainable Solutions'. The Fortaleza Summit ushered in the second cycle of high-level meetings of the BRICS. Prior to the Summit, meetings of the <i>Think Tanks</i> Council and Academic Forum were held in Rio de Janeiro, in March, initiating the series of meetings related to the Summit. The Fortaleza Summit resulted in the signing of the constitutive agreements for the New Development Bank (paragraphs 11 and 12 of the Fortaleza Declaration) and the Contingency Reserve Arrangement (paragraph13 of the Fortaleza Declaration). Among the other achievements of the meeting one may cite the signing of a memorandum of understanding between the Export Credit Insurance Agencies of the BRICS and of an agreement on innovation between the national development banks of the five countries.

**Table 5:14 (Continued): Main accomplishments of annual summits**

Seventh Summit: Ufa, Russia, July 2015.	The <b>Seventh Summit</b> was held in Ufa, Russia in July 2015. The Ufa Summit was marked by the ratification of constituting agreements of the New Development Bank and the Contingent Reserve Arrangement. The first meetings of the Bank's Council of the Governors and Board of Directors were also held. Understandings among the Central Banks of the BRICS during the Summit made the Contingent Reserve Arrangement fully operational. In Ufa the BRICS ratified the 'Strategy for BRICS Economic Partnership' with the purpose to strengthen, diversify and enhance trade and investment among the five countries. In addition, agreements on cultural cooperation and cooperation among the BRICS Development Banks and the New Development Bank were signed.
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Source: Ministry of Foreign Affairs (2016).

Furthermore, The Logical Indian (2016) demonstrates five main themes from the 8th BRICS Summit held in Goa, India in October 2016:

**Table 5.15: Main Themes of 8th BRICS Summit**

Main theme	Explanation
Fight against terrorism supported by all BRICS members including Pakistan's ally, China	With the ongoing tension between India and Pakistan, India blamed Pakistan-based Jaish-e-Mohammed for the strike and launched a campaign to isolate Islamabad diplomatically. The declaration condemned terror and adding to this President Xi Jinping said that India and China must work together to eradicate terrorism. Prime Minister Narendra Modi said that it is a necessity of time to secure citizens with security and counter-terrorism. Terrorism creates and obstacle to the development and economic prosperity and therefore should be combat soon. India was also able to seek support from China as BRICS pressure on China will cause its support for Pakistan to waver.
India-Russian signed deals worth Rs 39,000 crores across multiple sectors	The pact signed by India and Russia includes joint venture to manufacture helicopters, procurement of S-400 air defence system which can target multiple airborne projects simultaneously, construction of 1135 series of frigates (warships) in India. India and Russia have also signed an agreement to combat online security threat.
Move faster as the economies of BRICS countries are not what they used to be	The BRICS grouping countries, even though politically divergent, will move faster on economic cooperation. Free trade pact will be made to facilitate the trade among members. The pact should develop the nations and should enable greater flexibility and freedom in responding to the development priorities.

**Table 5.15: Main Themes of 8th BRICS Summit (Continued):**

Railways to carry study with Russia for an upgrade of train speed	Indian railways have joined hands with Russia for carrying out a feasibility study to upgrade the speed of passenger trains. According to a protocol signed between Indian Railways and Russian Railways at Goa, a technical and execution study for the upgrade of the speed of passenger trains in Nagpur – Secunderabad route to up to 200 Kmph will be carried out.
An agreement to set up a network of integrated irradiation centers for food products in India	Irradiation is a technology that helps safely preserve food for a longer period. India incurs a loss of Rs 2.5 lakh crore in food items like fruits, vegetables, meat, cereals and pulses. The centres will be managed by an India-Russia joint venture (JV) where Hindustan Agro will have the majority of 51 per cent stake holding.

Source: Ministry of Foreign Affairs (2016).

Given the above, two instruments of special relevance were accomplished at the sixth BRICS summit in 2014 when South Africa was considered a member of the group. This included agreements for the establishment of the New Development Bank (NDB) which will fund infrastructure and sustainable development projects emerging markets as well as the Contingency Reserve Arrangement (CRA), designed to provide mutual support among BRICS in order to forestall short-term balance of payments pressures (Ministry of Foreign Affairs, 2016).

On the other hand, it can be argued that South Africa joined at the right time when the foundations of the grouping were already developed. Numerous individuals, thus, believe South Africa was bound to achieve more concrete results in the future. However, the main BRICS accomplishments only occurred four years after South Africa's inclusion, which further demonstrates the progress of the summits since inclusion of the 5th member. Table 5.16 represents the frequency table for this question.

**Table 5.16: Frequency table: Whether BRICS summits were more productive after South Africa was included in the grouping:**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly disagree	1	3.300	3.400	3.400
Disagree	2	6.700	6.900	10.300
Neither agree or disagree	2	6.700	6.900	17.200
Agree	12	40.000	41.400	58.600
Strongly agree	12	40.000	41.400	100.00
Total	29	96.700	100.000	
Missing/ Not sure/ Not applicable	1	3.300		
Total	30	100.000		

Source: Own composition (2017).

The frequency table indicates that the majority of the participants, 40% both strongly agreed and agreed with the statement. Table 5.17 represents the descriptive statistics obtained for the question.

**Table 5.17: Descriptive statistics: Whether BRICS summits were more productive after South Africa was included in the grouping:**

N	BRICS summits were more productive after South Africa was included in the grouping
Valid	29.000
Missing	1.000
Mean	4.100
Median	4.000
Standard deviation	1.0470
Skewness	-1.423
Standard error of skewness	0.434
Kurtosis	1.905
Standard error of kurtoses	0.845

Source: Own composition (2017).

The table indicates a mean and median, both out of 5 of 4.1 and 4 which is considered relatively high average rating. The collected responses were negatively skewed at -1.423. The kurtosis for the question was 1.905, which suggested that most responses were towards the mean. The standard deviation was calculated at 1.047.



**Table 5.18: One-sample t-test: Whether BRICS summits were more productive after South Africa was included in the grouping (H0:  $\mu=3$ )**

T	5.676
Df	28
p-value	0.000
H0	Reject

Source: Own composition (2017).

The t-test was 5.676, indicating that the majority of the participants agreed with the comment.

South Africa could have improved the efficiency of the summits as one of the reasons the country was included in the grouping was to improve cooperation amongst African countries as well as within the BRICS grouping, which the summit progression indicated has taken place. However, J.P.P. (2013) is of the opinion that it is easier to reach agreements in small groups in comparison to larger groups.

This is illustrated through achievements such as the currency swap deal between China and Brazil. The New Development Bank, however, includes all the countries in the grouping which South Africa helped facilitate. Overall, results indicated that the majority of the participants agreed that summits were more productive after South Africa's inclusion.

#### **5.5.6 Question 6**

**To what extent was South Africa chosen to be part of BRICS because it already worked with BRICS countries through IBSA and BASIC?**

This question aimed at examining whether participants felt that South Africa was included in the grouping as it already demonstrated long-standing sound relationships with Brazil, India and China in groupings such as IBSA and BASIC. The question also intended to determine whether any other candidate country such as Nigeria, Indonesia, Turkey or Mexico has had any comparable ties with BRIC nations.

It also intended to examine whether BRICs' decision to invite South Africa was based on Brazilian, Indian and Chinese policy makers ability to continuously and effectively cooperate with South African negotiators since the BASIC grouping (Brazil, South Africa, India, and

China) were able to show a tremendous degree of unity on climate negotiations. In the same way, this questioned the relevance of policy makers from India and Brazil being aware of South Africa's views after having frequently cooperated since 2003 in the IBSA grouping.

Refilwe Mokoene emphasised that when IBSA first engaged it rapidly became clear that the three countries shared a common vision towards a variety of global challenges. Evidently, IBSA illustrated the countries could further collective aims by working together. Lastly, the question intended to examine if South Africa was chosen to be part of the group due aligned foreign policy positions with BRIC countries, thus posing less risk to the group's cohesion in comparison to competitors engagements with BRIC members (Stuenkel, 2013). Table 5.19 represents the frequency table for the question.

**Table 5.19: Frequency table: Whether South Africa was chosen to be part of BRICS as it already worked with BRICS countries through IBSA and BASIC:**

	Frequency	Percent	Valid Percent	Cumulative Percent
Neither agree or disagree	2	6.700	6.700	6.700
Agree	9	30.000	30.000	36.700
Strongly agree	19	63.300	63.300	100.000
Not sure/Not applicable	0	0.000	0.000	0.000
Total	30	100.000	100.000	

Source: Own composition (2017).

The frequency table demonstrated that no participant strongly disagreed or disagreed, 63.3% strongly agreed, 30% agreed and 6.7% neither agreed or disagreed with the statement. Table 5.20 represents descriptive statistics for question 6.

**Table 5.20: Descriptive statistics: Whether South Africa was chosen to be part of BRICS as it already worked with BRICS countries through IBSA and BASIC**

<b>N</b>	<b>South Africa was chosen to be part of BRICS because it already worked with BRICS countries though IBSA and BASIC</b>
Valid	30.000
Missing	1.000
Mean	4.570
Median	5.000
Standard deviation	0.626
Skewness	-1.172
Standard error of skewness	0.427
Kurtosis	0.431
Standard error of kurtosis	0.833

Source: Own composition (2017).

The average rating out of 5 was considered relatively high at 4.57 and the rating of the average participant is 5. The spread of ratings around the mean is 0.626. The skewness is -1.172 and the kurtosis is 0.431.

**Table 5.21: One-sample t-test: Whether South Africa was chosen to be part of BRICS because it already worked with BRICS countries through IBSA and BASIC (H0: x=3)**

T	13.706
Df	29.000
p-value	0.000
H0	Reject

Source: Own composition (2017).

The t-test is 13.706. This is significantly higher than the mid-value of three, which indicates that participants strongly agreed with the statement.

The results indicate that participants felt that the interaction between South Africa and BRIC members contributed to generating trust and common goals which put South Africa above other competitors, making it the logical choice. Participants were of the opinion that South Africa was a far more natural choice than other African countries and involved fewer risks in reducing the group's capacity to develop joint positions in multilateral forums. It is thus

fair to say that without BASIC and IBSA, South Africa's inclusion into the grouping would have been far less likely.

This feedback shows that the BRICS platform today is more than a group of countries with high growth rates and it is about common ideas and policy positions and South Africa's track record has shown it's comparability with the BRIC group. Seen from this perspective, it demonstrates why South Africa was chosen above larger or faster growing economies (Stuenkel, 2013).

#### **5.5.7 Question 7**

**To what extent do BRICS countries share a common vision with each other?**

Sergei Katyrin, the President of the Russian Chamber of Commerce and Industry of the Russian Federation, illustrated that all of the BRICS countries are members of both the WTO and the G20. The role of such organisations in resolving global economic issues has increased considerable today. Likewise, this demonstrates member countries share a common vision of global challenges with a similar stance on global challenges and resolutions (BRICS Business Magazine, n.d.).

Sergei Katyrin also emphasised that the G20 has made significant contributions in advancing and agreeing on common macroeconomic policies which in his view much of the credit for this success should be attributed to the BRICS countries similar positions during the G20 meetings (BRICS Business Magazine, n.d.). This question intended to gauge if participants were of the opinion that BRICS countries strive to achieve the same goals and in essence whether South Africa shares this vision.

Controversially, as a multilateral grouping, the five BRICS nations seem, on the surface, to have few commonalities. The countries represent widely differing political systems where China is a one-party state, Russia's government is highly centralised; Brazil, India, and South Africa are democracies with significant corruption and/or ethnic strife. In terms of economic development, China outpaces the group in size, growth and trade.

Furthermore, the members are situated differently in terms of absolute consumption and energy intensity. Members of the association also have varying demographic trends since

Brazil is predominantly an urban population, while India is still mainly rural. Russia possesses an ageing population while India is relatively young (Saran, Singh & Sharan, 2012). However, on the whole, Saran, Singh and Sharan (2012) believe the five members will contribute greatly to the world's growing middle class.

Looking outward, BRICS nations have widely differing statures within the current global order. Russia and China are established global powers with permanent seats on the UNSC. India, Brazil and South Africa aspire for global influence but are currently regional powerhouses. Therefore, given their differing levels of power and conceptions of individual interest, some level of geopolitical divergence on a range of issues is not surprising. Thus, the broadly shared subscription of all the BRICS nations to the principle of non-interference has not translated into a uniform position on numerous international issues (Saran, Singh & Sharan, 2012).

However, in order to demonstrate an example of the grouping resolving differences, during the build up to the Goa summit in 2016, there was the assumption that the India-China rift over Pakistan-backed terrorism would derail the summit, but the predicted outcome of an implosion did not materialise. Instead India and Russia linked an S-400 missile deal, turning the summit into a memorable event (Simha, 2016). Given the above, this question aims to identify participants' opinion on both South Africa and BRIC's degree of common vision. Table 5.8 represents the frequency table for the question.

**Table 5.22: Frequency table: Whether BRICS countries share a common vision with each other**

	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Strongly disagree	3.000	10.000	10.000	10.000
Disagree	4.000	13.300	13.300	23.300
Neither agree or disagree	3.000	10.000	10.000	33.300
Agree	17.000	56.700	56.700	90.000
Strongly agree	3.000	10.000	10.000	100.000
Not sure/Not applicable	0	0.000	0.000	0.000
Total	30.000	100.000	100.000	

Source: Own composition (2017).

This table showed that the majority of the participants (56.7%) agreed with the statement, 13.3% disagreed, and 10% strongly agreed, strongly disagreed and did not agree or disagree with the statement. Table 5.23 illustrates the descriptive statistics of the question.

**Table 5.23: Descriptive statistics: Whether BRICS countries share a common vision with each other**

<b>N</b>	<b>BRICS countries share a common vision with each other</b>
Valid	30.000
Missing	1.000
Mean	3.430
Median	4.000
Standard deviation	1.165
Skewness	-0.949
Standard error of skewness	0.427
Kurtosis	-0.069
Standard error of kurtosis	0.833

Source: Own composition (2017).

The mean out of 5 was 3.43 and the average rating of each participant was 4 which indicated that the participants agreed that BRICS has a common vision. The distribution has a negative skewness of -0.949 which indicates a left tailed distribution. The kurtosis of 3.5864 means that the distribution is leptokurtic with fatter tails and that there are more chances of extreme outcomes in comparison to a normal distribution.

The standard deviation quantifies the amount of variation or dispersion of the set of data values. Therefore, the standard deviation of 1.165 implies that the data points are slightly dispersed from the mean. Table 5.24 illustrates the one sample t-test for the question.

**Table 5.24: One-sample t-test: Whether BRICS countries share a common vision with each other (H0:  $x=3$ )**

T	2.037
Df	29.000
p-value	0.051
H0	Accept

Source: Own composition (2017).

The t-test of 2.037 is only slightly lower than the mean of 3 which, indicates that participants generally agreed with the statement.

The results suggest that participants tended to agree that even though the BRICS countries differ, membership in BRICS forms a common goal, namely, development. As emerging countries, members are focused on raising standards of living. The fact that Brazil, Russia, India, China, and South Africa unite as a group lead to differences in national goals, opinions, geopolitical rivalries, and outright hostilities, in essence, demonstrate the viability of the BRICS (Simha, 2016).

#### **5.5.8 Question 8**

##### **Does South Africa actively contribute to the goals of BRICS?**

As a consequence of the previous question, the purpose of this query is to investigate that if South Africa is seen to contribute to the goals of BRICS, it should be considered a valid choice for BRIC membership. As seen in the previous question, a major objective of the grouping is to unlock potential for cooperation between the BRICS and Africa since the continent has demonstrated potential in terms of economic development prospects, abundant natural resources, growing consumer power, and favourable demographics (African Development Bank Group, 2013).

Chinese analysts emphasise that South Africa can contribute to the BRICS goals by strengthening the body and reforms of global economic governance. Both former President Zuma and President Hu expects South Africa to assist in strengthening communication and co-ordination within the BRIC countries and other multilateral mechanisms, while promoting unity and co-operation of developing countries to safeguard common interests and progression.

South Africa is expected to play a vital role in assisting in BRICS economic co-operation goals through deepening dialogue and agreements on trade facilitation, investment liberalisation, and establishing multilateral consultative mechanisms on such matters. BRICS countries are committed to strengthening consultation and co-ordination on political issues and South Africa can play a unique role in solving vital international issues and assist in promoting stability, peace, and development.

Additionally, South Africa can assist in reforming global economic governance goals since when the country joined BRICS, BRIC countries total share reform increased from 14,18% to 15% of the voting power required to exercise a veto on major issues. South Africa can co-operate in promoting the global trade agenda of BRICS by cooperating with the group in fighting against international trade protectionism. South Africa also is seen to have assisted the grouping in the promotion of BRICS co-operation after pushing forward the work on institution building after hosting the BRICS summit meeting in 2013 which facilitated the preparation for the BRICS Bank (Yong, 2012).

On the other hand, some Chinese analysts are cautious about the role South Africa can play in achieving the global governance reform goal due to its economic strength as the smallest member. Therefore, the country may face difficulties in the promotion of effective reform.

In addition, it would be a test for South Africa to co-ordinate relations with the big powers in Africa such as Nigeria to assist in achieving BRICS Africa Agenda goal. South Africa also faces domestic challenges such as the ANC alliance causes conflicting government opinions and factions (Yong, 2012). Overall, the main causes of concern hampering South Africa's ability to effectively contribute to BRICS goals are South Africa's lack of size and influence. Table 5.25 represents the frequency table for the question.

**Table 5.25: Frequency table: Whether South Africa actively contributes to the goals of BRICS**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly disagree	1.000	3.300	3.300	3.300
Disagree	2.000	6.700	6.700	10.000
Neither agree or disagree	1.000	3.300	3.300	13.300
Agree	20	66.700	66.700	80.000
Strongly agree	6	20.000	20.000	100.000
Not sure/Not applicable	0	0.000	0.000	0.000
Total	30	100.000	100.000	

Source: Own composition (2017).

Table showed that the majority of the participants (66.7%) agreed with the statement, 20% strongly agreed, 6.7% disagreed, and 3.3% strongly disagreed and 3.3% did not agree or disagree with the statement. Table 5.26 represents the descriptive statistics for the question.



**Table 5.26: Descriptive statistics: Whether South Africa actively contributes to the goals of BRICS**

<b>N</b>	<b>South Africa actively contributes to the goals of BRICS</b>
Valid	30.000
Missing	1.000
Mean	3.930
Median	4.000
Standard deviation	0.907
Skewness	-1.644
Standard error of skewness	0.427
Kurtosis	3.584
Standard error of kurtosis	0.833

Source: Own composition (2017).

The mean out of 5 was 3.93 and the average rating of each participant was 4 which indicated that the participants agreed that South Africa contributes to BRICS goals. The distribution has a negative skewness of -1.644 which indicates a left tailed distribution. The kurtosis of 3.586 means that the distribution is leptokurtic with fatter tails and that there are more chances of extreme outcomes in comparison to a normal distribution.

The standard deviation quantifies the amount of variation or dispersion of the set of data values. Therefore, the standard deviation of 0.907 implies that the data points are slightly dispersed from the mean. Table 5.27 illustrates the one-sample t-statistic for the question.

**Table 5.27: One-sample t-test: Whether South Africa actively contributes to the goals of BRICS (H0:  $x=3$ )**

<b>T</b>	5.635
<b>Df</b>	29.000
<b>p-value</b>	0.000
<b>H0</b>	Reject

Source: Own composition (2017).

The t-test of 5.635 is higher than the mean of 3 which indicates that participants agreed with the statement.

In conclusion, the results indicate that participants did not view South Africa's lack of size as being detrimental to contributing to BRIC's common goals. Rather, participants depicted South Africa as having a sound position to contribute to BRICS goals by facilitating the development of the BRICS agenda.

### 5.5.9 Question 9

**To what extent was South Africa chosen to represent African countries due to sound relationships with other BRIC countries?**

This question aimed at examining whether participants felt that South Africa was included in the grouping as it already demonstrated long-standing sound relationships with Brazil, Russia, India, and China. In essence, this question aimed to determine whether the association is depicted as a platform for large countries with high growth rates or a platform for countries with common ideas and policy decisions.

**Table 5.28: Frequency table: Whether South Africa was chosen to represent African countries due to sound relationships with other BRIC countries**

	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Disagree	1	3.300	3.300	3.300
Neither agree or disagree	1	3.300	3.300	6.700
Agree	14	46.700	46.700	53.300
Strongly agree	14	46.700	46.700	100.000
Not sure/Not applicable	0	0.000	0.000	0.000
Total	30	100.00	100.00	

Source: Own composition (2017).

This table showed that 46.7% of participants both strongly agreed and agreed with the statement, while 3.3% both strongly disagreed and disagreed with the statement. Table 5.29 illustrates the descriptive statistics for the question.

**Table 5.29: Descriptive statistics: Whether South Africa actively contributes to the goals of BRICS**

<b>N</b>	<b>South Africa actively contributes to the goals of BRICS</b>
Valid	30.000
Missing	0.000
Mean	4.370
Median	4.000
Standard deviation	0.718
Skewness	-1.290
Standard error of skewness	0.427
Kurtosis	2.614
Standard error of kurtosis	0.833

Source: Own composition (2017).

The average rating out of 5 was considered relatively high at 4.37. The median of each participant was 4 which indicated that the participants agreed with the statement. The spread of ratings around the mean is 0.718. The distribution had a negative skewness of -1.290 and the kurtosis of 2.614 is very close to the kurtosis of a normal distribution of 3. Table 5.30 represents the one-sample t-test for the question.

**Table 5.30: One-sample t-test: Whether South Africa actively contributes to the goals of BRICS (H0:  $x=3$ )**

T	10.420
Df	29.000
p-value	0.000
H0	Reject

Source: Own composition (2017).

The t-test of 10.42 is considerably higher than the mean of 3 which indicates that participants concurred with the statement.

In conclusion, the results indicate that participants agreed with the statement that South Africa was chosen to represent African countries due to sound relationships with other BRIC countries. Participants were of the view that South Africa's track record demonstrated evidence of compatibility with the BRIC group. Furthermore, participants were of the opinion

that the BRICS platform today is far more than a group of large countries with high growth rates. Rather, the association is a platform for common ideas and compatibility.

#### **5.5.10 Question 10**

##### **To what extent will the BRICS bank be successful in the future?**

The BRICS bank will be headquartered in Shanghai in China to fight financial crises, which will be an alternative to the IMF and will also provide loans for infrastructure projects across the Global South as an alternative to the World Bank. Scepticism is naturally likely to arise when it was announced that a New Development Bank (NDB) is going to be created to influence the current global financial order, especially given the reputation of the IMF and World Bank which is primarily dominated by the West (Janani, 2015). This question aimed at keeping the thesis up to date with future developments of the grouping and gauging the general opinion of the participants view on the potential of the bank to be a rival to the IMF and World Bank.

The bank led by BRICS could be seen as a positive move to address development issues such as sustainability and infrastructure. The key issues of the widening gap between the value of developing countries GDP and the influence and voting privileges in the IMF and the World Bank governing agreements, the NDB may reduce such governance issues.

Moreover, structural adjustment policies (SAPs) of the IMF and World Bank are some of the most questioned policies of the receiving countries due to harsh measures and unrealistic ties, which have been argued to favour the west and indicates modern neo-colonialism. Instead, the NDB will provide funds without SAPs or other restraints which will give countries more of a chance to overcome socio-economic crises (Janani, 2015).

However, there are concerns on whether the current procedures and governing decisions of the NDB will make it an alternative option to the IMF and World Bank. There is the risk that China could have a dominant role in the NDB, however the design of the bank ensures that all BRICS member's will be given a primary position within the bank., for example K.V. Kamath from India was appointed President of the bank, the inaugural chairman of the Board of Governors will be from Brazil and the inaugural chairman of the Board of Governors will be Russian face. Furthermore, the success of the bank also faces internal risks such as

the slowing growth of China and these internal issues will need to be resolved to ensure the success of the bank (Janani, 2015). Table 5.31 represents the frequency table for the question.

**Table 5.31: Frequency table: Whether BRICS bank will be successful in the future**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly disagree	1	3.300	3.600	3.600
Disagree	5	16.700	17.900	21.400
Agree	14	46.700	50.000	71.400
Strongly agree	8	26.700	28.600	100.000
Total	28	93.300	100.000	
Not sure/ Not applicable	2	6.700		
Not sure/Not applicable	0	0.000	0.000	0.000
Total	30	100.00		

Source: Own composition (2017).

This table showed that the majority of the participants (46.7%) agreed with the statement, 26.7% strongly agreed, and 16.7% disagreed, 6.7% did not agree or disagree with the statement and 3.3% strongly disagreed. Table 5.32 illustrates the descriptive statistics for the relative question.

**Table 5.32: Descriptive statistics: Whether BRICS bank will be successful in the future**

N	BRICS Bank will be successful in the future
Valid	28.000
Missing	2.000
Mean	3.820
Median	4.000
Standard deviation	1.156
Skewness	-1.019
Standard error of skewness	0.441
Kurtosis	0.098
Standard error of kurtosis	0.858

Source: Own composition (2017).

The mean out of 5 was 3.82 and the average rating of each participant was 4 which indicated that the participants agreed that BRICS bank will be successful in the future. The distribution has a negative skewness of -01.019 which indicates a left tailed distribution.

The kurtosis of 30.098 implies that the distribution is platykurtic with fewer and less extreme outliers than a normal distribution. The standard deviation quantifies the amount of variation or dispersion of the set of data values. Therefore, the standard deviation of 1.156 implies that the data points are slightly dispersed from the mean. Table 5.33 represents the one sample t-test for question 10.

**Table 5.33: One-sample t-test: Whether BRICS bank will be successful in the future (H0:  $\mu=3$ )**

T	3.759
Df	27.000
p-value	0.001
H0	Reject

Source: Own composition (2017).

The t-test of 3.759 is higher than the mean of 3 which indicates that participants agreed with the statement.

The results indicate that the general opinion of participants was that the BRICS Bank would be successful in the future. Participants felt possible benefits outweighed potential risks. However, as Janani (2015) indicated, the enormity of the issues that the bank intent to resolve, especially the infrastructure programs and its redistributive process in the governing of the bank, implies that only time will be able to tell whether it will be a leading functional institution.

## 5.6. Findings semi-structured interviews

Semi-structured interviews was conducted on nine participants. After applying the thematic analysis approach, eight major themes emerged, namely reasoning for BRICS, South Africa meeting BRICS requirements, South Africa's improvements to benefit from BRICS, South Africa's advantages from BRICS, South Africa's disadvantages from BRICS, South Africa's contribution to BRICS, South Africa hindering BRICS, and other countries competing for BRICS inclusion.

Table 5.34 below illustrates the reference system used to report participant's quotations obtained from the questionnaire and semi-structured interviews linking to the relative theme in order to maintain the anonymity of the survey.

**Table 5.34: Phases of thematic analysis**

Example	2:2
The number 2 represents questionnaire number 2	
The number 2 represents participant number 2	

The below discusses major themes and codes generated that relate to each theme with numerous quotations and overall opinions received from the individuals with knowledge of BRICS in order to back up codes.

## 5.7. Reasoning for BRICS

### 5.7.1. Growth potential

It was widely expressed amongst participants that BRIC was created to form a grouping of countries with high GDPs and large populations. BRIC countries were considered powers of the future. Additionally, it was expressed that O'Neil created the grouping for newly advanced economies with room for growth. This is demonstrated by the following statement:

*Jim O'Neil created the term as he expected these countries to grow faster than the developed countries and play an increasingly more important role in the world.*

### 5.7.2. Informal idea

Some of the participants indicated that 'BRICS was an idea created by O'Neil, but only six years later did the countries decide to form the multilateral union.' Some of the participants were quoted saying the following:

*BRICS was not an overnight development and was something the countries decided to pursue to come up with better ideas and they believed South Africa would help achieve this (1:1).*

*BRICS was formed as countries were more interested in avoiding strict models like G7 and OECD and wanted to form their own path (9.9).*

Hence, BRICS is considered an informal idea created by O'Neil, which members formulated to pursue mutual goals.

### **5.7.3. Independence from the western world**

BRICS was formed to balance power and become independent from the western fiscal policy and economic dominance in order to develop a group of the strongest emerging non-western economies.

Participant 2 added to this by stating, that *'BRICS is possible because of the growing demands of members and the inability of the west to satisfy such demands.'*

Participant 4 agreed with this by commenting that the *'reason for BRICS was due to the belief the western world would lose dominance and fail to achieve the goals of the developing world.'*

Additionally, Participant 12 stated, *'the main reason for BRICS was for the creation of new Bretton Woods-type institutions that are inclined toward the developing world.'*

This highlights that participants maintain BRICS was formed in order for members to become more influential in global affairs and to make the IMF more responsive to their needs, thus gaining independence from the western world.

### **5.7.4. Common goals**

Numerous participants were of the opinion that BRICS was formed so that members of the group could work together to achieve common goals of joint perceptions such as required global governance changes. One of the participants was quoted saying:

*BRICS was created to form a grouping of countries with commonalities, yet the countries all have differences in respect of background, growth and strategies, yet countries also have the desire to improve cooperation among developing countries and have more of a voice. Therefore, members have conflicting views as well as common interests (21:21).*



This shows that although BRICS members possess commonalities and differences BRICS was formed to achieve common goals through increased co-operation.

#### **5.7.5. Group of second world countries**

Participants emphasised that the reason for BRIC formation was to create a grouping of second world countries that have not yet achieved the growth status of America, Europe and Japan, but do not have the poverty and corruption of third world countries.

#### **5.7.6. Informal discussions initially**

It was noted by the participants that BRICS was initially created to have informal discussions of economic issues and global development that the world faces today, but has since formulated by having a BRICS Bank.

#### **5.7.7. Improve cooperation**

Participants indicated that BRIC was formed to improve economic, financial and trade cooperation among members.

### **5.8. South Africa meeting BRICS requirements**

#### **5.8.1. Growth potential**

Numerous participants expressed the view that South Africa did not meet the requirements of the original BRIC grouping given relatively low GDP and small population statistics in comparison to other members. This was indicated by the following statement:

*The group was formed to create a group of countries based on size and room for growth, not current development (12:12)*

Therefore, the participant stressed that South Africa does not meet the requirements as it has already developed and growth has actually been on the decline whereas BRICS growth increased. Furthermore, participants highlighted high unemployment and social cost drawbacks of South Africa. Participants also emphasised that South Africa is not even part of the N11 which includes both Nigeria and Egypt. On the other hand, some participants believed South Africa possesses necessary attributions to be considered a power of the future since the country still has a lot to learn from BRIC countries. Subsequently, participants felt South Africa may facilitate economic improvements and rise in the future.

### **5.8.2. BRIC members' choice**

The majority of participants stressed that South Africa is the member's choice despite scrutiny from Jim O'Neil, analysts or any other country. This is described by the following participants quote:

*Jim O'Neil did not coin South Africa originally in his informal idea, it was the members of the grouping who decided to formalise the union and made the decision to include South Africa (1:1).*

In contrast one participant did not agree that South Africa meets the requirements and stated:

*Members of BRICS might accept South Africa, but the underlying indicators that triggered the coining of the group would not favour the inclusion of South Africa (11.11).*

However, the majority of participants emphasised that the members chose South Africa, as they believed the country would help achieve the goals of the group.

### **5.8.3. South Africa is a second world country**

As stated above that participants were of the opinion BRICS was formed to develop a group of second world countries. Numerous participants highlighted that South Africa met BRIC requirements as although the country is not considered an advanced economy, it does not share the poverty and corruption characteristics of third world countries.

### **5.8.4. South Africa faces the same challenges**

Participants noted that South Africa faces similar challenges as BRIC members and therefore meets the requirements to be part of the group. The following quote highlighted common challenges faced by South Africa:

*South Africa shares challenges of infrastructure deficiency, food security, sustainable development, energy, science development and technological innovation (5:5).*

#### **5.8.5. IBSA/BASIC**

It was demonstrated by certain participants that since South Africa is already part of groupings, which includes majority of BRICS member's, the country has already demonstrated common goals, sound relationships, and vital roles in previous discussions. South Africa was therefore the rational choice for BRICS members in comparison to other African countries who have not been part of such groups.

This shows that BRICS is more than a group of countries with high growth rates. Instead, it is more concerned about countries sharing a common vision. South Africa is seen to demonstrate a sharp track record of BRIC comparability. Hence, South Africa was chosen above other countries due to previous successful IBSA and BASIC interactions with Brazil, Russia, India, and China in comparison to competitors who have had little or no prior interactions.

#### **5.8.6. Shared perceptions and views**

The majority of the participants shared the view that South Africa met the requirements of BRICS due to shared perceptions such as the need for the developing world to have a greater voice, shifts in global governance structures, and striving for more equality in global systems. This is demonstrated by the following quotation:

*South Africa is inclined toward the developing world which is one of the main reason for BRICS, which is demonstrated through encouraging growth and development in Africa through trade blocs and agreements such as SADC which South Africa has a leading role (13:13).*

#### **5.8.7. Fundamental changes**

Participants shared the view that membership requirements has evolved from O'Neil's original criteria of a high GDP and large population, making South Africa's lower GDP and smaller population not as important as it once was. This is demonstrated by the following quotes:

*Jim O'Neil is correct in saying South Africa has no place in BRICS from an analytical point of view on the basis of which the grouping was created in 2001. However, it does not mean that South Africa is not valuable from the political aspect of the group today. BRICS is now*

*a group of middle weight countries which share a common view and desire greater representation in the developing world (5:5).*

*BRICS alliance is not simply a geopolitical trade or economic one based on size and growth, it is a strategic and tactical alliance based on common as well as individual interests of members. South Africa meets this requirement as after apartheid a goal of South Africa has been to position itself as a voice of less influential African countries and taking leading roles to mobilise these countries and build strategic alliances that will advance common interests in global forums and negotiations. Therefore, South Africa meets BRICS requirements from a strategic and tactical point of view (10:10).*

Subsequently, O'Neil's original intention of the association has experienced fundamental shifts.

#### **5.8.8. Summit progression**

Participants were of the general opinion that South Africa deserves BRIC membership as more is seen to be achieved in summits after South Africa inclusion than in prior summits. The majority of the participants mentioned the BRICS Bank as an example of summit progression after South Africa's inclusion into the group. In contrast, one participant emphasised that South Africa joined the association at the 'right time,' when plans were already underway, highlighting BRIC would have progressed without South Africa's inclusion.

Overall, participants highlighted that summit progression improved after South Africa's inclusion.

### **5.9 South Africa's improvements to benefit from BRICS**

#### **5.9.1. GDP and growth**

GDP and growth were seen as the main level of concern amongst participants. This concern is demonstrated by the following participant's quote:

*South Africa must strive to improve economic and GDP characteristics that constitute to the original members being included in the group by advancing manufacturing sectors, improving infrastructure and servicing exports (1:1).*

Additionally, the majority of participants emphasised the need for South Africa to work on decreasing unemployment levels in order to increase the country's working age population. Overall, GDP and growth were seen as the main level of concern amongst participants.

Consequently, participants were of the opinion that South Africa should stimulate growth levels to deserve BRIC membership.

### **5.9.2. Exchange programs, visa reductions, and less investment regulations**

South Africa can improve on willingness to participate in exchange programs and visa reductions through BRICS membership. Moreover, participants emphasised that South Africa must be more flexible in allowing BRIC countries to invest in the country.

### **5.9.3. Resolve differences amongst members**

Participants stressed that South Africa can resolve differences among members as it already is a member of group's such as IBSA and BASIC. South Africa already has a relationship with the majority of BRIC countries. The following quotes emphasise the need for South Africa to encourage group co-operation.

*South Africa needs to vigorously partner members to advance the groupings share vision and stress mutual benefits to BRICS members rather than each country working for self-interests (7:7).*

*BRICS has too much too loose from engaging in differences and a lot to gain from co-operating which is why South Africa must encourage co-operation (8:8).*

South Africa can improve co-operation when there are disputes, which in essence would help South Africa benefit from the grouping too.

#### **5.9.4 Intensify South Africa's goals**

Participants highlighted that South Africa should use BRICS memberships to intensify the country's own objectives such as climate change goals. This is demonstrated by the following quotes:

*South Africa should pursue alliances through BRICS membership in sectors it wishes to develop (9:9).*

*South Africa should use the BRICS alliance to secure new markets for the country's products. This can be done by improving their understanding on how the other BRIC countries operate (26:26).*

*South Africa coming into the group as the smallest member must stand up to other members, especially China who may take advantage of the country. This can be done by having clear goals to achieve from BRICS membership such as trade objective. South Africa should improve on proactiveness, clearly defined priorities and standing up for themselves during negotiations (30:30).*

*South Africa must not just use this grouping from a global perception and prestige perspective, but should work on improving segments that the grouping can improve such as trade relations and funding for infrastructure. South Africa can benefit from BRICS by working to achieve personal goals, yet achieving common goals at the same time (8:8).*

Furthermore, one participant highlighted that BRICS is 'united in diversity' and differences, in essence, leading to common strengths. Participants were of the opinion that South Africa must unlock the benefits of BRICS membership in order to insure goals are achieved.

#### **5.9.5. Increase competitiveness**

Participants were of the view that even though other countries possess greater economic strength than South Africa, the country should utilise BRICS membership to the best of its ability in order to increase competitiveness and overtake competitors. Moreover some participants were of the opinion that '*South Africa can improve on competitiveness by using new ideas and skills gained from BRICS members*'.

#### **5.9.6. Replicate economic success stories**

The majority of participants indicated that South Africa should replicate the economic success stories of Brazil, Russia, India, and China. This is demonstrated by the below quotes:

*South Africa must successfully replicate economic success stories of members by maximising growing influence and global standards of BRICS and the opportunities for growth and co-operation that it provides. This can be achieved by being open to new ideas to learn from the strength of other BRIC countries. In this way, South Africa may experience a success story of its own (5:5).*

*South Africa's invitation to join BRIC is a success story in itself' as the participant does not believe South Africa possesses desirable characteristics to be considered a member (22:22).*

#### **5.9.7. Encourage inclusion of new members**

Participants stressed that South Africa should encourage the inclusion of other members that are likely to play a vital role in the development of more equitable global order. This was demonstrated by the quote:

*The inclusion of new members could improve power imbalance in the group and take the 'spotlight' off of South Africa's 'surprise' invitation (28:28).*

#### **5.9.8. Strive towards a neutral role**

Participants emphasised that South Africa can benefit from membership by standing together with other developing and BRIC countries, but simultaneously should not go against the West and destroy these relationships. This is emphasised by the below statement:

*South Africa should cooperate with the West, yet compete at the same time and add constructive criticism (20:20).*

### **5.9.9. Work with African countries**

Participants mentioned that South Africa should improve their relationships with other African countries. This is further described below:

*Fast growing countries like Nigeria are envious of South Africa's acceptance into the group. Therefore, the country should rather work with these countries to achieve their specific goals and not just South Africa's goals (9:9).*

Consequently, participants were of the opinion that by South Africa cooperating with Africa would lead to benefits South Africa, Africa and BRIC members.

## **5.10 South Africa's advantages from BRICS**

### **5.10.1. Perception**

The majority of the participants agreed that breaking into BRICS is seen as a sign of success and has altered the way the country is viewed internationally. This is further demonstrated by the below quote:

*South Africa, thus, is seen as more 'powerful' since it is part of such a 'prestige grouping (18:18).*

### **5.10.2. Economic co-operation, joint ventures, and business partnerships**

Participants were of the opinion that South Africa has reaped the benefits of increased economic co-operation joint ventures and business partnerships. This is described below:

*There has been economic co-operation, joint ventures and business partnerships which is a testament to the potential of this group to create tangible and long lasting bonds to South Africa's economic growth (19:19).*

*The biggest advantage of South Africa being a BRICS member is opportunities firms have gained through new international partnerships (15:15).*

### **5.10.3. Increased standard of living**

Participants highlighted that BRICS membership has increased South Africa's standard of living. This is demonstrated below:



*BRICS has increased the well-being of South Africans through increased co-operation in food production, mining, tourism, renewable nuclear energy, communications and training (17:17).*

In addition, participants believed that BRICS could assist in promoting stability and peace in South Africa.

#### **5.10.4. Shaping the future**

South Africa has been given the opportunity to help shape the BRICS vision and be part of the rapid expansion and growth in Africa. This is highlighted in the following participants quote:

*BRICS gives South Africa a chance to influence policy making and make the international economic system more inclusive (21:21).*

#### **5.10.5. Trade advancement**

Trade advancement was a common theme through interviews with the participants:

*BRICS can help South Africa export higher value and intermediate goods to the BRIC countries and their regions (13:13).*

*BRICS also offers South Africa an alternative when its biggest trade partner, the European Union is experiencing difficulty (5:5).*

#### **5.10.6. Prevent stagnation**

BRICS could help South Africa deal with stagnations. This is demonstrated by the below quote:

*When the financial crisis broke out, BRICS countries growth slowed at first, but recovered fast which was triggered by countercyclical stimulus programs (6:6).*

#### **5.10.7. Future growth**

BRICS can increase future growth for South Africa by possessing insight into the emerging world as is seen from the below quote:

*BRICS have the strength and cost basis, as well as demographic advantages in comparison to the developing world (7:7).*

#### **5.10.8. Expansion**

Participants emphasised that BRICS has allowed South Africa to expand geographical reach, representation, and inclusiveness. Moreover, participants were of the opinion that other developing economies are showing interest in joining BRICS which can make the group even more influential and increase expansion even further.

#### **5.10.9. Support of larger members**

Participants highlighted that the other BRICS countries have higher levels of technology and innovation and can provide advice to South Africa through technology sharing and joint manufacturing. Evidently, since South Africa is the smallest member of the group, the country will receive support from the larger BRIC members.

#### **5.10.10. BRICS bank**

The majority of the participants were of the opinion that the main advantage of South Africa being part of the group is involvement in the BRICS bank. The BRICS Bank can assist in providing financing and funding for South Africa's infrastructure.

### **5.11 South Africa's disadvantages from BRICS**

#### **5.11.1. Differences amongst members**

In general, participants felt BRICS should overcome differences. This is further described below:

*BRICS is trying to be a common entity while ignoring differences in foreign policies. This can be demonstrated by the fact that it took years to come to an agreement on the BRICS Banks. Therefore, there is the possibility that BRICS summits could lead to more discussions rather than concrete plans (1:1).*

*The goals of the BRICS countries are often not unified and can conflict (5:5).*

*It may be difficult for South Africa to come to a consensus regarding foreign policies due to differences in the BRICS group (23:23).*

#### **5.11.2. Hurts manufacturing sector**

BRICS countries export manufactured goods to South Africa, while South Africa exports raw material, which hurts its manufacturing sector.

#### **5.11.3. Competitors**

Participants emphasised the danger that BRICS countries might pursue their own self-interests. This is emphasised in the below quotes:

*South Africa must be aware that BRICS countries are both its partners and rivals and each member many want to improve their own countries self-interests at any given time (4:4).*

*BRICS countries have generated growth in different ways, but often competing ways (8:8).*

#### **5.11.4. Strengthening South Africa's representation**

There is the danger that South Africa does not increase representation in Africa due to BRICS membership as shown below:

*South Africa should rather work on increasing its own representation in Africa which has many untapped opportunities than helping BRIC businesses strengthen their representation (4:4).*

#### **5.11.5. Exploited**

Given South Africa's size, a vast number of participants believed that the larger BRIC members may take advantage of the country.

#### **5.11.6. Possibility of neglecting previous groupings**

Participants were generally concerned that BRICS could cause South Africa to neglect prior engagements such as IBSA which has developed concrete co-operation and progress over the years. This is further expressed by the below quote:

*BRICS has made South Africa's foreign policy's challenges more complex as it has to balance commitment with its role of representing power of African countries and its own foreign policy goals (16:16).*

#### **5.11.7. Automatic acceptance**

Since South Africa joined the grouping later, it is sometimes not seen as a full member. The below quote describes this statement further:

*BRICS could highlight South Africa's advantages and opportunities or it could lead to analysts and investment advisors using phrases like 'except South Africa' or 'exclude South Africa' or avoid South Africa.' Analysts have not automatically grouped South Africa into the grouping just because members have (14:14).*

On the contrary, some participants believed that South Africa has become more accepted as a BRICS member since the 5th BRICS summit was held in South Africa.

#### **5.11.8. Smallest member 'syndrome'**

Participants highlighted the danger of South Africa being viewed as the weakest member in contrast to Brazil, Russia, India, and China. This is explained below:

*Being part of BRICS could shift South Africa's global image from being the most developed economy in Africa to the smallest member of the grouping (10:10).*

#### **5.11.9. Complicated neighbouring relationships**

Some participants were of the opinion that BRICS may complicate relationships with Africa as well as neighbouring countries. One of the participants was quoted as saying:

*BRICS may complicate ties with South Africa and its neighbouring countries as some countries may view South Africa as being more concerned about its global goals than neighbour countries (13:13).*

#### **5.11.10. Patronising non-BRICS countries**

The majority of participants were concerned that BRICS could patronise the West and Non-BRICS countries.

#### **5.11.11. Resolve own issues**

Participants highlighted that South Africa should rather focus on improving its own issues, before working on global issues.

## **5.12 South Africa's contribution to BRICS**

### **5.12.1. Gateway to Africa**

Numerous participants viewed South Africa's contributions to BRICS as the country being considered the gateway to Africa. This is described further below:

*South Africa was selected, as it is the gateway to investing into 'shakier' African countries by providing ease of access to the rest of the continent as South Africa's businesses have become more adapt to doing business in Africa. Therefore, it can offer human capital and skills to BRICS to gain access to the continent (9:9).*

*South Africa is a strategic partner for investment, linking Africa to the rest of the world and facilitating the flow of investment from BRIC countries to other African countries (12:12).*

### **5.12.2. Untapped markets and opportunities**

The majority of participants were of the opinion that Africa is not as developed as other continents and there are still many untapped markets and unexploited opportunities which BRICS now has easier access to through South Africa. This is demonstrated by the following statement:

*South Africa provides innovation to BRICS countries, especially through Africa (25:25).*

### **5.12.3. Regional and global player**

Participants stressed South Africa contributes by being a regional leader in a fast growing, developing continent as it is the voice of Africa and it has a part in structures such as the African Union, G7 and is the only African country represented by the G20 which adds to why it was chosen among other faster growing African countries. Some of the participants were quoted as saying the below:

*South Africa is the most powerful economy in Africa which is why it was chosen to be part of the grouping (8:8).*

*South Africa is the head of the African Union which is proof that it represents Africa. It can also be seen as a major contributor to the progress in the continent by being involved in various campaigns (11:11).*

#### **5.12.4. High standards of auditing and reporting**

South Africa contributes to BRICS through sophisticated, globally recognised financial markets. Additionally, numerous participants stated that the regulation of the JSE was high. One participant was quoted saying the below:

*South Africa has an impressive bond market and advanced banking system in comparison to other African countries which further contributed to BRICS (26:26).*

#### **5.12.5. Representation of Africa's population**

Numerous participants were in mutual agreement that even though South Africa does not have the population requirements of the original criteria to be a BRICS member, when you take into account that South Africa represents the whole African continent, South Africa meets the requirements to be a BRICS member. Some of the participants were quoted saying the following:

South Africa can offer greater representation among developing nations by representing the whole of Africa (4:4).

*Behind Asia, Africa has the largest populations and South Africa's inclusion now means that the entire continent of Africa with a population of over one billion is now represented (8:8).*

#### **5.12.6. African perspective**

Participants highlighted that the original BRICS countries were not well equipped to meet the needs of sub-Saharan Africa. South Africa therefore contributes by bringing an African perspective. One participant quoted the following:

*The main reason South Africa was chosen was because the original grouping did not have a member from the African continent (4:4).*

#### **5.12.7. Re-balance power globally**

The majority of participants believe South Africa could possibly rebalance power globally:

*South Africa has the soft power needed to play a conservative role in BRICS to rebalance power globally.' Participants believe South Africa could possible rebalance power globally (5:5).*

#### **5.12.8. Largest Africa investor**

Numerous participants mentioned South Africa contribution to BRICS by being the largest investor in Africa and already having a vast number of businesses active in the continent. Consequently, South Africa can give BRICS advice of ease of investing and doing business in Africa.

#### **5.12.9. Increases BRICS resource pool**

According to a number of participants South Africa contributes to BRICS resource pool as it is rich in natural resources, mineral wealth and mining. Therefore, South Africa contributes by increasing the economic weighting of the grouping.

#### **5.12.10. Per capita income and market capitalisation**

Certain participants believed that South Africa per capita income and market capitalisation played a vital role to South Africa's contribution to BRICS. One participant quoted below:

*South Africa has a per capita income higher than both China and India and it has one of the highest market capitalisations in the world (10:10).*

#### **5.12.11. Diversification**

Participants highlight that South Africa offers diversification benefits to the association as shown below:

*South Africa's export structure relative to other BRICS countries demonstrates diversification with a decreasing negative trade balance (24:24).*

#### **5.12.12. High index ranking**

Participants noted South Africa's relatively high ranking high on indices such as competitive indexes in comparison to both BRIC members and other African countries.

### **5.13 South Africa hindering BRICS**

#### **5.13.1. Influence**

South Africa hinders the group as it is not yet a global player and not able to make much of a difference.

#### **5.13.2. Justification**

Numerous participants noted that South Africa's inclusion had to be justified as it was not part of the original grouping which may have taken time and effort for the BRIC members as quoted below:

*South Africa's inclusion had to be justified as it was not part of the original grouping which may have taken time and effort for the BRIC members (12:12).*

#### **5.13.3. Geographical position**

Numerous participants expressed the concern that South Africa is not very well positioned geographically since it is at the very southern tip of Africa.

#### **5.13.4. Reaping benefits**

Numerous participants believed that South Africa hindered the group by benefiting more from BRICS than BRICS benefited from South Africa.

#### **5.13.5. South Africa's motive with Africa**

Participants highlighted that one of the main reason South Africa was chosen to become a member of the grouping is that South Africa is considered to be the gateway to Africa for BRICS to increase representation in the continent. South Africa could hinder BRICS depending on the countries Africa motive:

*South Africa can hinder the grouping by deciding to either be truly part of Africa and work together with BRICS or there is the danger that South Africa might want to reap the benefits of Africa's untapped market for themselves (7:7).*



*Representing 55 countries in Africa is hard for South Africa because African countries are bound to have contradicting views and South Africa differs from the poorer countries in Africa (24:24).*

#### **5.13.6. Exceptionalism**

One Participant was of the opinion that South Africa's exceptionalism often causes it to talk about Africa as though it was another continent, which may cause the country being less accepted by other African countries as the gateway.

#### **5.13.7. Size**

Participants were of the opinion that South Africa hinders the group as it has a low GDP and small population with a low working age population in comparison to other members. Some of the participants were quoted as saying the following:

*South Africa does not fit the immediate characteristics of O'Neil's grouping and it changes the dynamics of the group with a smaller GDP and population it has less economic strength than other members (13:13).*

*BRICS would have to provide more support in development of growth to South Africa than other countries in the grouping (27:27).*

Therefore, it was generally considered that South Africa's inclusion creates an uneven power balance within the grouping.

#### **5.13.8. Economic apartheid**

A number of participants believed that South Africa must get rid of economic apartheid which hinders economic growth and job creation before it can truly benefit the grouping. One participant was quoted as saying the below:

*There has been a brain drain in South Africa and the country needs to get its government and policies in order to attract these individuals back into the country (26:26).*

### **5.13.9. Established economy**

A number of participants were of the opinion that South Africa's economy has been established for a while and there is not much room for growth.

## **5.14 Other countries for BRICS inclusion**

### **5.14.1. Nigeria**

The majority of the participants selected Nigeria, as it is challenging to take South Africa over as the regional leader, it is part of the N11, which does not include South Africa, is the fastest growing economy with a higher GDP and larger population than South Africa. Furthermore, it is an African country, which meets O'Neil's criteria of the original coining, and BRICS desired a member from the continent.

One participant emphasised that it could be the western gate to the economy:

*South Africa already has an advanced economy, exporting sophisticated good and has an advanced agricultural economy, yet it's GDP is not larger than Nigeria who has only one advanced economy. However, Nigeria may not be able to satisfy its growth as its exports are dependent on oil and lack diversification (12:12).*

Furthermore, one participant emphasised the advantages of Nigeria as quoted below:

*Nigeria has the largest population in Africa, its economy has been increasingly steadily over the last ten years, it has a working age population that can be easily trained, stable product industries such as agriculture and has one of the fastest service industries in the world (7:7).*

Controversially, the participant also stated:

*However, Nigeria has no financial giants like Sasol or Standard Bank and has an unstable political system. Therefore Nigeria should be selected using non-descriptive indicators as its growth and population is high, but this is all it has on its side (7:7).*

Overall, Nigeria was seen as South Africa's biggest competitor as a BRICS member.

### 5.14.2. Egypt

Some participants were of the opinion that Egypt should be part of BRICS:

*Egypt has a strategic location since it is located at the northern tip of Africa and closer to Europe and Asia whereas South Africa is at the very Southern tip of Africa (1:1).*

*Egypt would have worked well with India to develop small and medium enterprises (2:2).*

Additionally, participants noted that Egypt is part of the N11 which does not include South Africa. BRICS also need representation of Middle East and Central Asia.

### 5.14.3. Indonesia

In addition Indonesia is also considered competition for South Africa. This is described in the below quotations:

*Indonesia is part of the N11, has a higher GDP and larger population than South Africa (3:3).*

Indonesia has one of the largest populations in the world, even larger than Brazil and Russia (16:16)

On the other hand, one participant highlighted that China already facilitates Indonesia's main partnerships as quoted below:

*It is part of the G20 and ASEAN. However, it is much more focused on its trade relations with top trading partners like Japan and Singapore than relations with Africa. BRICS already have China to access these partnerships (19:19).*

Furthermore, one participant related Indonesia membership to India quoting the below:

*Indonesia has recently been growing faster than India and could replace the 'I' in BRICS as Indonesia and India both have a lot in common, such as large and young populations in expanding economies driven by domestic consumption. But, India's economy is larger than Indonesia's with a higher population. 'BRICS' will be better option as Indonesia should not replace India based on one year's higher growth (30:30).*

#### **5.14.4. Turkey**

Numerous participants stated Turkey as it met the original requirements of the BRICS grouping with a high GTP and large population it is nearly double the size of South Africa, however they also contradicted this by highlighting that Turkey could be too developed for BRICS, given that it was the founding member of OECD.

#### **5.14.5. Kenya**

Kenya was also considered a rival for BRIC membership. Participants demonstrated that Kenya had a higher foreign direct investment than South Africa:

*Kenya was one of the major beneficiaries to South Africa's entry into BRICS since countries invested in South Africa as the gateway to Africa to invest in Kenya and today they are investing more directly in Kenya (4:4).*

Similarly to South Africa's long standing relationships with BRIC members through IBSA and BASIC some participants emphasised that Kenya also possesses these relationships:

*Kenya has a long standing engagement with the BRIC countries, India has imported oil and natural resources from the country and trade relations between Brazil and Kenya are growing (10:10).*

Furthermore some participants highlighted the following benefits of including the country in the group:

*Kenya is the hub for access to east Africa and participants did mention that 'BRICKS' could be formed. 'The country has seemed to have less political and economic turmoil than South Africa and recent reforms have increased stability (20:20).*

#### **5.14.6. South Korea**

Some participants chose South Korea as it is nearly three times as big as South Africa, part of the N11 and OECD and further along in economic development than South Africa. On the contrary, participants also noted that it might be too developed already and not likely to achieve the influence of BRICS.

#### **5.14.7. Mexico**

As it nearly three times as big as South Africa, part of the N11 and OECD and is also further along in growth and development. Participants were of the opinion that Mexico has been the driver of global growth and increased competitiveness over recent years.

#### **5.14.8. South Africa**

Some participants still chose South Africa as the right choice for BRICS as even though other African countries are growing faster, these countries are still not as easy to trade with as South Africa, due to its infrastructure, financial institutions and business environments in comparison to other African countries. One participant was quoted saying the following:

*While other African countries numbers in terms of GDP and population is attractive, you need to look at the bigger picture. For example, Nigeria has a low debt to GDP ratio, but has a lower credit rating than South Africa. There is also more crime and instability in some of these African countries. Other African countries are not as diversified as South Africa and mainly rely on natural resources and their institutional capacities are not as developed (13:13).*

Table 5.35 illustrates a summary of the findings of the semi-structural interviews (qualitative findings) utilising thematic analysis. The theme is listed, followed by the relative codes and sub-codes.

**Table 5:35: Summary of semi-structured interviews (Qualitative analysis summary)**

Theme	Code	Sub-code
Reasoning for BRICS	Growth potential	Form a group of countries that had: High GDP Large populations Room for growth Newly advanced economies Potential to be a power of the future
	Informal idea	Members' choice to formalise informal ideas Avoid strict models such as G7 and OECD
	Independence from the Western World	Balance power between emerging and western world Gain independence from the western economic and fiscal dominance From a group of the strongest emerging non-western economies Inability of west to satisfy growing demands of members Members believe west will lose dominance Need to create Bretton Woods type institutions Make the IMF more responsive to members needs
	Common goals	Achieve common goals of members' joint perceptions Improve co-operation Members still have differences Grouping has conflicting views and common interests
	Group of second world countries	Do not have growth status of America, Europe and Japan Do not have third world country characteristics
	Informal discussions initially	Group has shifted from informal discussions to a formal grouping
	Improve cooperation	Formed to improve members' economic, financial and trade co-operation
South Africa meeting BRICS Requirements	Growth potential	South Africa has: Low GDP and small population Currently developed with declining growth rate High Unemployment and social costs No N11 membership A lot to learn from BRIC countries to improve growth
	BRIC Members Choice	Members' choice to formalise the group and include South Africa Underlying indicators of grouping do not favour South Africa's inclusion Members' choice despite scrutiny BRIC believed South Africa will help achieve goals
	South Africa is a second world country	South Africa not an advanced economy Does not have corruption and poverty of third world countries
	South Africa faces the same BRIC challenges	Infrastructure deficiency Food Security Sustainable development Energy Science development Technological innovation

**Table 5:35 (continued): Summary of semi-structured interviews (Qualitative analysis summary)**

	IBSA/BASIC	<p>South Africa is already part of groupings with other BRIC members</p> <p>Demonstrated common goals</p> <p>Sound relationships</p> <p>Vital role in previous discussion</p> <p>Rational choice in comparison to countries not in grouping</p> <p>BRICS is a grouping about common vision rather than growth rates</p>
	Shared perceptions and views	<p>BRICS has evolved from original membership requirements</p> <p>South Africa does not meet analytical requirements of grouping</p> <p>South Africa meets political requirements</p> <p>BRICS is now a middle weight group with common views</p> <p>BRICS is now a strategical and tactical alliance</p>
	Summit progression	<p>Summits were more productive after South Africa's inclusion</p>
South Africa's improvements to benefit from	GDP and growth	<p>South Africa must increase expansion and decrease unemployment to increase working age population</p>
	Exchange programs, visa reductions and less investment	<p>South Africa must participate in exchange programs and visa reductions</p> <p>South Africa must be more flexible to encourage investments</p>
	Resolve differences amongst members	<p>South Africa can improve group cooperation as its already has relationships with members in other groupings</p> <p>South Africa needs to encourage a shared vision</p>
	Intensify South Africa's goals	<p>Pursue alliances through BRICS in sectors South Africa wishes to develop</p> <p>South Africa must improve understanding on how BRICS members operate</p> <p>Clearly define goals</p> <p>Unlock the opportunities of being a member</p> <p>United in diversity</p>
	Increase competitiveness	<p>By using new skills and ideas gained from BRICS</p>
	Replicate economic success stories	<p>Learn from the strengths of BRIC countries</p> <p>Maximise growing influence and global standards of BRICS</p> <p>Capitalise opportunities for growth</p>
	Encourage inclusion of new members	<p>Improve power balance in grouping by including other members</p> <p>Include members that will play a vital role in development</p>
	Strive towards a neutral role	<p>South Africa should co-operate with developing countries</p> <p>South Africa should also not ruin relationships with the West</p> <p>Add constructive criticism</p>

**Table 5:35 (continued): Summary of semi-structured interviews (Qualitative analysis summary)**

	Work with African countries	Improve relationships with Africa Work to achieve Africa-specific goals and not just South Africa's
South Africa's Advantages from BRICS	Perception	South Africa seen as powerful Breaking into BRICS is seen as a sign of success Altered the way the country is viewed
	Economic co-operation, joint ventures and business partnerships	Group creates long lasting bonds for South Africa International partnerships Opportunities for South African firms
	Increase standard of living	Improved wellbeing of South Africans through co-operation BRICS promotes stability and peace in South Africa
	Shaping the future	South Africa can help shape BRICS vision It can be part of rapid expansion and growth in Africa Opportunity to influence policy making Opportunity to make international economic system more inclusive
	Trade advancement	Assist South Africa in exporting higher value and intermediate goods BRICS is an alternative trading partner
	Prevent stagnation	BRICS helps prevents slowdown in economic growth
	Future growth	BRICS can increase future growth of South Africa by: Having insight into the emerging world Having strength and cost basis Demographic advantages
	Expansion	Grouping expanded South Africa's geographical reach, representation and inclusiveness
	Support of larger members	Members can provide advice to South Africa on how they become powerful
	BRICS Bank	Opportunity to be involved in BRICS Bank Assist in providing funding
South Africa's Disadvantages from BRICS	Differences amongst members	Differences in grouping make it difficult for grouping to come to agreements Goals of members often conflict Summits may lead to more discussions rather than concrete plans Difficult to come to a consensus on foreign policies
	Hurts manufacturing Sector	BRICS members export manufactured goods while South Africa exports raw materials
	Competitors	BRICS countries may pursue self-interests Members are partners as well as rivals BRICS countries have developed growth
	Strengthening South Africa' representation	South Africa should rather increase its own representation in Africa than assisting BRICS
	Exploitation	Larger members may take advantage of South Africa



**Table 5:35 (continued): Summary of semi-structured interviews (Qualitative analysis summary)**

	Possibility of neglecting previous groupings	South Africa may neglect IBSA which has progressed over the years BRICS has made South Africa's foreign policy challenges more complex Must balance commitment of representing Africa and its own goals
	Automatic acceptance	Even though members have accepted South Africa, some analysts have not seen South Africa as full member. Phrases are used like 'except, exclude or avoid South Africa' South Africa was more accepted since the 5 <sup>th</sup> Summit
	Smallest member 'syndrome'	BRICS could shift South Africa's global image from most developed economy in Africa to smallest member
	Complicate neighbouring relationships	Neighbouring countries may view South Africa as being more concerned with global goals
	Patronising non-BRICS countries	BRICS could patronise West and Non-BRICS countries
	Resolve own issues	South Africa should improve own issues before global issues
Other countries for BRICS inclusion	Nigeria	Challenging South Africa for regional leader spot Part of N11 (which does not include South Africa) Fastest growing economy Higher GDP and larger population Meets O'Neil's coining criteria Western Gate to the continent Nigeria only has one advanced economy Lacks diversification which might not satisfy growth Not many businesses active in Africa Unstable political system Should only be selected when using non-descriptive indicators South Africa overcomes Nigeria when you look at the big picture
	Egypt	Strategic location as positioned northern tip of Africa (close to Europe and Asia) Would work well with India to develop small and medium enterprises Part of N11 BRICS also need representation of Middle east and Central Asia
	Indonesia	Part of N11, G20, ASEAN Higher GDP and larger population One of the largest populations in the world (even larger than Brazil and Russia) More focuses on trade relations with Japan and Singapore than Africa China already has trade relationships with Indonesia

**Table 5:35 (continued): Summary of semi-structured interviews (Qualitative analysis summary)**

	Turkey	Meets criteria of coining high GDP and large population Nearly double the size of South Africa Founding member of OECD Too developed for BRICS
	Kenya	Higher foreign direct investment than South Africa Previously countries invested in South Africa in order to invest in Kenya today they are investing directly in Kenya Long standing engagement with BRIC members Access to East Africa Could form BRICKS Less political and economic turmoil than South Africa
	Mexico	Nearly three time as big as South Africa Part of N11 and OECD Further along in economic development Driver of economic growth Increased competitiveness
	South Africa	Other African countries not as easy to trade with Strong infrastructure, financial institutions and business environment in comparison to other African countries Need to look at bigger picture than just GDP and population criteria More crime and instability in other African countries Increased diversity in comparison to competitors
South Africa Hindering BRIC	Influence	South Africa is not yet a global player It does not have much influence
	Justification	Time and effort for members to justify reasoning for South Africa's inclusion
	Geographical position	South Africa is not well positioned
	Reaping benefits	South Africa benefits more from group than group benefits from South Africa
	South Africa's motive with Africa	Danger might decide to not truly be part of Africa Reap benefit of Africa for themselves and not BRIC Representing 55 counties in Africa is difficult South Africa differs from poorer African countries which causes contradicting
	Exceptionalism	South Africa may think it is more developed/sophisticated than other African Countries Might be less accepted my Africa as the gateway due to exceptionalism

**Table 5:35 (continued): Summary of semi-structured interviews (Qualitative analysis summary)**

	Size	South Africa has low GDP, population and working age population Changes dynamics of grouping Less economic strength creates uneven group power balance BRIC has to provide more support and development to South Africa
	Economic apartheid	Hinders growth of South Africa Brain drain in South Africa
	Established economy	South Africa's economy has no room for growth

Source: Own compilation (2017).

## 5.15. Conclusion

The findings from the quantitative results suggest that participants tend to agree that even though BRICS countries differ, the association shares a common vision. South Africa is also seen to actively contribute to BRICS goals, which is further emphasised by the majority of participants indicating that summits were more productive after South Africa's inclusion into the association. Participants also felt that the benefits outweighed the potential risks indicating the BRICS Bank will be successful in the future.

On the other hand, the results indicate that participants felt that South Africa was not a favourable geographical hub between members. They were of the opinion that South Africa is at the very southern tip of Africa, which is considered relatively far from members. This is in contrast to competitors such as Egypt and Turkey, which are closer to Europe and Asia. However, this could be seen as an advantage for BRICS as the grouping is expanding their geographical reach. In addition, participants were of the view that Africa was not a sizeable economy and did not have a sizeable economy due to Asia being considered the largest continent and Africa possessing the lowest GDP per capita. It was also indicated that each participant may have analysed the question inconclusively without considering other factors of growth.

In contrast, participants were of the opinion that South Africa is a reasonable choice to be included BRICS when the whole continent is considered since the country is seen as the voice of the continent, which has been demonstrated in various organisations such as IBSA

and SADC. Participants also agreed that South Africa was chosen to be part of BRICS because it already worked with BRICS countries through IBSA and BASIC and demonstrated sound relationships with other BRIC countries. Thus, it is fair to say that without BASIC and IBSA, South Africa's inclusion into the grouping would have been far less likely.

Despite the mixed opinion of South Africa's inclusion into BRICS, the quantitative analysis results suggest that the majority of the participants were of the opinion that South Africa deserves to be part of BRICS.

After analysing the reasoning for BRICS, South Africa meeting BRICS requirements, South Africa's improvements to benefit from BRICS, South Africa's advantages from BRICS, South Africa's disadvantages from BRICS, South Africa's contribution to BRICS, South Africa hindering BRICS, and other countries for BRICS, the section below on the qualitative analysis concludes both the reasons why South Africa should be included in BRICS and why it should not be included in BRICS. It is noted that numerous statements participants made contradict each other and provide valid arguments for both sides of the analysis.

The main reason O'Neil coined BRICS was to form a grouping of countries with high GDPs and large populations. Countries who were believed to have room for growth and grow faster than other countries were grouped together. If these characteristics are analysed alone, South Africa does not meet the requirements to be part of the grouping as it is considered the smallest member. South Africa has also changed the dynamics of the grouping.

However, BRICS was something that the member countries decided to formalise due to the growing demands of members and the inability of the west to satisfy them, for the creation of new Bretton-type institutions inclined towards the developing world, to come up with better ideas, and pursue their own path away from strict models like G7 and OECD.

O'Neil did not force the countries to form the group and it was their choice to include South Africa, as they believed the country could help them achieve their goals. South Africa is also not part of strict models like the G7 and OECD. South Africa is inclined towards the developing world, one of the main reasons for BRICS, which has been demonstrated through encouraging development in Africa through trade blocs and agreements such as

SADC. Therefore, BRICS has evolved from O'Neil's original criteria, making South Africa's lower GDP and smaller population less important than it once was.

BRICS is now a group of middle-weight countries who share a common view and want greater representation in the developing world. Furthermore, the BRICS alliance is not simply a geopolitical trade or economic one based on size and growth, it is a strategic and tactical alliance based on common and individual interests of the members. This shows that BRICS is more than a group of countries with high growth rates; it is a group with common vision.

To demonstrate that BRICS is a group formed for a common vision, South Africa has demonstrated this by already being part of groupings that include the majority of BRICS members such as IBSA and BASIC. Furthermore, it has demonstrated common goals, sound relationships, and a vital role in previous discussions. BRICS was also formed to improve economic, financial, and trade co-operation among members.

Since South Africa is already active in various groupings with members, it could help BRICS resolve differences and improve cooperation. It was indicated by members that this was one of the main reasons for South Africa's inclusion. On the other hand, there is the concern that BRICS will cause South Africa to neglect previous groupings that have achieved concrete results.

Moreover, South Africa and the members have differences in respect of their background, growth and strategies, which is demonstrated by the fact that it took them years to come to an agreement on the BRICS Bank. It may be difficult for South Africa to come to a consensus regarding foreign policies due to differences in the BRICS grouping.

There is also the danger that BRICS countries might pursue their own self-interests as they have generated growth in different, but often competing ways. However, South Africa and other members have shown the desire to improve cooperation among developing countries and have more voice.

The group has conflicting views as well as common interests. South Africa needs to partner with members to advance the grouping's shared vision and stress mutual benefits to members rather than each country working for self-interest. However, it is concluded that

South Africa worked in IBSA/BASIC, has a long track record of comparability with the grouping, and it shares the same perceptions and challenges of BRICS members.

Moreover, it was demonstrated that South Africa alone does not meet the population requirements to be part of the BRICS grouping, but since it is considered the regional leader and gateway to Africa, it represents the whole of Africa, which means the entire population of Africa is now represented. The original BRICS members also indicated that they were not well-equipped to meet the needs of Africa and one of the main reasons South Africa was chosen was because the original grouping did not have a member from the African continent.

South Africa is the gateway to Africa by providing ease of access to the rest of the continent and linking Africa to the rest of the world. This can be demonstrated by South Africa being the largest investor in Africa and the fact that South African businesses have a presence in Africa and have become adapt to doing business in the continent. Therefore, it can offer human capital and skills to BRICS to gain access to the continent that has many untapped and unexploited opportunities.

South Africa contributes to BRICS by being the regional leader in a fast growing, developing continent as it is the voice of Africa, is part of structures such as the African Union, G7, and is the only African country represented by the G20. South Africa is also the head of SADC and the AU, which is proof that it represents Africa and has been a major contributor to the progress in the continent, by being involved in various campaigns. On the other hand, representing 55 countries in Africa may be hard for South Africa because these countries are bound to have contradicting views and South Africa differs from the poorer countries in Africa. South Africa could hinder the grouping by deciding either to be truly part of Africa and work together with BRICS or reap the benefits of Africa's untapped market for themselves.

South Africa's exceptionalism often causes it to talk about Africa as if it is another continent, which may cause the country being less accepted by other African countries as the gateway. South Africa is also not part of the N11, which includes African countries like Nigeria and Egypt. BRICS has also made South Africa's foreign policy challenges more complex as it has to balance commitment with its role of representing African countries and its own foreign

policy goals. BRICS may also complicate ties with South Africa and its neighbouring countries as South Africa may be more concerned about its global goals than neighbouring countries.

Participants also noted that BRICS was created to form a group of second world countries. South Africa should be included as it has not yet achieved the growth status of the west, yet does not share the poverty and corruption of third world countries like numerous countries in Africa. Adding to the original criteria and reasons South Africa should not be a BRICS member, countries that were believed to play an increasingly important role in the world were grouped together. This would be difficult for South Africa given its size.

South Africa can improve on this by encouraging the inclusion of other members who are likely to improve the power balance of the grouping. This could make the grouping even more influential and increase expansion even further. South Africa is also not considered to be a power of the future with much influence yet. However, being part of BRICS has given the country the opportunity to help shape the groupings vision and be part of the rapid expansion and growth in Africa. It also gives South Africa the chance to influence policymaking and make the international economic system more inclusive.

South Africa may also be a power of the future as it still has a lot to learn from BRIC countries and can improve their economy and growth in the future. South Africa's perception has also altered the way the country is viewed internationally since it has been selected to be part of such a prestige grouping. However, South Africa being selected for BRICS could highlight the advantages of the country, but it could also emphasise its shortfalls. Additionally, being part of BRICS may shift South Africa's image from being the most developed economy in Africa to the smallest member of BRICS.

Since South Africa was not part of the original grouping, it is sometimes not seen as a full member. Its inclusion had to be justified by members, which took time and effort. Analysts may have not automatically grouped South Africa into the grouping just because members have. However, since the 5th summit was held in South Africa, the country has been seen as more accepted into the grouping. Moreover, given its size South Africa may benefit more from BRICS than BRICS benefits from South Africa as the group will have to provide more support and development of growth to South Africa than other countries in the grouping.

On the contrary, South Africa could be exploited given its size by the larger members of the grouping. However, South Africa could also get the support of the largest members in the grouping who have higher levels of innovation and can provide advice.

On the downside, South Africa's growth is already considered developed and has actually been on the decline for years, whereas BRIC countries growth has increased. Furthermore, South Africa has a high unemployment rate, instability, and social costs. South Africa must decrease unemployment in order to increase the amount of people in its working age population.

On the upside, BRICS has increased the standard of living of South African's through increased co-operation in food production, mining, tourism, renewable nuclear energy, communications and training. The grouping could also promote stability and peace in South Africa. South Africa should work on improving its own issues, before working on global issues. South Africa could also work on increasing its own representation in Africa rather than helping BRICS increase their representation.

South Africa can improve on the original criteria to be a member by advancing its manufacturing sector, improving infrastructure and servicing its exports. South Africa's economic growth has improved since becoming a BRICS member through economic co-operation, joint ventures and business partnerships. BRICS can also help the country deal with stagnations such as the financial crisis and also increase future growth by having insight into the emerging world since the grouping has the strength, cost basis, and demographic advantages. South Africa can improve on its competitiveness by using new skills gained from BRICS members.

Additionally, South Africa must replicate the success stories of members by maximising the growing influence, global standards, and the opportunities for growth that it provides. BRICS has allowed South Africa to expand its geographical reach, representation, and inclusiveness.

It was also emphasised that South Africa contributes to the grouping as BRICS summits were more productive after South Africa joined, by having sophisticated, globally recognised financial markets, impressive bond markets, and advanced banking systems. The regulation



of the JSE is high. South Africa increases BRICS economic weighting and resource pool as it is rich in natural resources, mineral wealth, and mining.

The country also has one of the highest market capitalisations in the world and impressive per capita income. It has a high ranking on relative indices. South Africa's export structure relative to the other BRICS countries demonstrates diversification. On the negative side, it was pointed out that South Africa is not very well positioned geographically since it is at the very southern tip of Africa.

With regards to countries participants thought should have been chosen for BRICS instead of South Africa, Nigeria was the most popular choice as it is challenging to take South Africa over as the regional leader, it is part of the N11, has a faster growing economy with a higher GDP and larger population than South Africa. It is also a country from Africa which meets the member's requirements of having African representation.

Additionally, its economy has been increasing steadily over the years, its working age population can be easily trained, and it has stable product industries and one of the fastest growing service industries in the world. In contrast, Nigeria only has one advanced economy and lacks diversification. It has no financial giants like Sasol or Standard Bank and has an unstable political system. Therefore, Nigeria should only be selected when using non-descriptive indicators such as growth and population, but that is all it has on its side when you consider other factors such as Nigeria having a low debt to GDP ratio, but it has a lower credit rating than South Africa.

Following Nigeria, Egypt was the second most popular choice among participants as it is part of the N11 and has a more strategic location in comparison to South Africa since it is located at the northern tip of Africa and closer to Europe and Central Asia. It was noted that BRICS also needs representation of the Middle East and Central Asia. It was also expressed that Egypt would work better with India in developing small and medium enterprises. However, Egypt is also very unstable in comparison to South Africa, is not considered the gateway to Africa, and has no real ties to the continent.

The third highest choice among participants from the continent of Africa was Kenya. It has a higher foreign direct investment than South Africa and it was noted that many countries

invested in South Africa as the gateway to investing in Kenya. Today, countries are investing more directly in Kenya. The country has long standing relationships with BRIC countries.

It is also the hub for access to east Africa and recent reforms have increased stability. However, this just proves the South Africa is still the gateway to Africa and Kenya is not considered as much of a regional leader as South Africa and this can be demonstrated by South Africa being the head of SADC and AU and they only African country to be part of groups such as IBSA and G20.

Right behind Egypt was Indonesia as it is part of the N11 and has a higher GDP than South Africa. It has one of the largest populations in the world and is also part of the G20 and ASEAN. Additionally, Indonesia has recently been growing faster than India and could replace the 'I' in BRICS as India and Indonesia both have much in common.

However, Indonesia is much more focused on trade relations with Japan and Singapore than relations with Africa, and BRICS already has China to access these partnerships. India still has a larger economy than Indonesia and should not replace India based on one year's higher growth. Turkey, South Korea, and Mexico were popular choices not from the African continent as they all had faster growth, were part of the N11 and OECD, and further along in economic development than South Africa but similarly to Indonesia, all these countries are considered too developed for BRICS and they did not meet the BRICS objective of having African representation.

Furthermore, the investment form has grouped together Mexico, Indonesia, Nigeria, and Turkey together to form a group called MINT. These countries were grouped together because of their large populations, favourable demographics, and emerging economies. The MINTS are seen to have smaller economies than the original BRIC grouping. Therefore, even those these competitors were disappointed that they were not invited to join BRICS, a new grouping emerged which was more suitable for the characteristics of these countries.

According to O'Neil in his SA's BRICS score article, South Africa could do more to justify its presence in the grouping if the country assists Africa to reach its full potential (Nkoana-Mashabane, 2012). After O'Neil witnessed South Africa's success in hosting the 2010 FIFA

World Cup tournament, he emphasised that if South Africa explored cross-border synergies, it would be large enough to be regarded as a true BRIC country.

If South Africa could assist the rest of the continent to reach its own high standards, Africa would be on an accelerated path to greater economic growth. Furthermore, O'Neil believed by exploring cross-border expansion in trade and infrastructure, as well as improvements in domestic productivity, South Africa would have more than justified its role as a member of BRICS (Nkoana-Mashabane, 2012).

Overall, both findings from self-administered questionnaires and semi-structured interviews indicate that the BRICS platform today is more than a group of countries with high growth rates and it is about common ideas and policy positions and South Africa's track record has shown its compatibility with the BRIC group. Seen from this perspective, it is clear why South Africa was chosen above larger or faster growing economies

Specific recommendations and the conclusion of the study are presented in the next chapter.

## **CHAPTER 6 SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS**

### **6.1 Introduction**

In the previous chapter the findings of the research report were discussed in detail. The study was conducted in an attempt to determine whether South Africa belongs in BRICS. This study specifically focused on what South Africa contributes to the association.

The primary objective of this study was to investigate whether South Africa should be included in BRICs, taking into account that the country represents the whole of Africa. The study also examined if South Africa was the best choice for BRIC membership.

To achieve the primary objective of the study, the following secondary objectives were examined:

- To establish the reasons for the establishment of BRICS in order to determine if South Africa meets their establishment criteria.
- To determine why South Africa is the best country of choice in Africa to be included as a member of BRIC.
- To identify areas of improvements needed for South Africa to be included as a member of BRICS.
- To identify both the advantages and disadvantages of South Africa being a member of BRICS.

The main objective of this chapter is to provide a comprehensive conclusion of the study. Firstly, a brief summary of each chapter is given. Secondly, conclusions are drawn on whether South Africa belongs in the association. Thirdly, suitable recommendations are made based on the results of the study discussed in the previous chapter. Fourthly, limitations of the study are discussed. Lastly, suggestions for further research are stipulated.

## 6.2 Summary

The following section provides summaries of the previous chapters.

**Chapter 1** outlined the proposal that was necessary to conduct the study. The background of the study was introduced, followed by the research questions, problem statement, and objectives of the study. The chapter also highlights the significance of the study. The research design and methodology used to conduct the study were introduced. The data collection and analysis, scope and demarcation of the study, and research ethics considered in the study were discussed. The chapter concluded by listing the outlay of subsequent chapters.

**Chapter 2** provided an overview of BRICS through a literature review. The chapter introduced rational for the formation of O'Neil's hypothesis in order to determine whether South Africa's inclusion deteriorates the fundamentals upon which the group was based. The BRIC acronym originated from the Goldman Sachs paper 'Building better Global Economic BRICS' in 2001 which comprised of an economic modelling exercise over the next half-century to forecast trends in BRIC countries. The chapter demonstrated that BRIC brings together countries with large populations, emerging economies, domestic markets, colossal labour, and natural resources (Kornegay & Bohler-Muller, 2013).

The chapter also indicated factors such as the demise of the Washington Consensus, the fall of the 'American Model,' neoliberalism, and the fallout from the economic crisis, accelerated the shift toward BRICs and the need for a new international economic architecture to supplement the Bretton Woods edifice. The main conclusion was that BRIC countries would collectively play an increasingly important role in the global economy.

Furthermore, the chapter covered the significance of BRICS. The growing attention to the association of the global financial community, media, and policy makers is apparent. BRICS has projected itself as an independent grouping in a fast changing, rapid world, despite its relatively new evolving status (Io Lo & Hiscock, 2014). BRICS has become a major group in both political and economic terms. The chapter highlights that BRICS is expected to play a greater role going forward on economic governance reforms.

Thereafter, the chapter covered literature on the link between commonalities and differences of BRICS countries. BRICS countries exhibited varying backgrounds, development stages, and foreign strategies. Evidently, BRICS countries demonstrated conflicting as well as common interests (Jianguo, 2012). Co-operation programmes, deepened dialogue, trade facilitation and investment liberalisation agreements, multilateral consultative mechanisms, general discussions on global issues, market integration and promotion of cross leverage, and competitive advantage sectors were identified as key solutions to resolve differences.

However, the chapter noted that internal differences do not reduce the functioning of BRICS as a whole. Different points of view, a commitment to free debate, and willingness to learn from each other are seen as reasons why BRICS continue to exist, through which differences are used to the advantage of the association.

The chapter also covered underlying strengths and weaknesses of each country in order to determine factors that the countries individually contribute and withhold from the grouping. South Africa's weakness of size in comparison to BRICS members with high levels of unemployment and labour costs was highlighted. In general, BRICS potential growth rate has decreased due to the inability to implement second generation structural reforms that are micro-based and boost productivity growth combined with weak, macroeconomic policies.

The chapter highlights fears of BRICS ending up in the middle-income trap, failing to progress to a higher trajectory. Nonetheless, analysts were still optimistic about BRICS' growth potential since they are all large economies with large populations who still benefit from a demographic dividend. Structural reforms may be implemented and sectoral forces such as urbanisation and industrialisation are still in BRICS' favour.

The chapter discussed the challenges of BRICS in order to consider the factors that hamper its growth and consider possible solutions to overcome the drawbacks. This included BRICS ownership, policies, integration, financial crises, demographic profiles, inequality systems, trade investment, economic growth strategies, account deficits, trading relationships, infrastructure and industrial development, agricultural sectors, and culture and tourism.

Finally, BRICS' international relations with the G20, EU, IBSA and G7 were discussed. BRICS countries have not always been in agreement with the G20 issues, however, progress has been made since the side-lines of the G-20 summit. BRICS members are seen as both strategic bilateral partners and rivals of the EU. The study demonstrated mixed views on BRICS relation with IBSA, however, the need to maintain IBSA in order to encourage discussions among democratic countries is noted. Research on the G7 depicted varying relations of individual BRIC members with the G7. The results of the research conducted indicate that G7 countries should consider that not all member countries are required to be identical.

**Chapter 3** specified South Africa's contribution to BRICs, which was the main theme in this study. An in-depth evaluation of concepts associated with South Africa's contribution was necessary, given South Africa's smaller population and economy in order to determine whether South Africa belongs in BRICS.

The chapter highlights numerous factors that contributed to South Africa's entry into the group, such as South Africa's inclusion fundamentally altering the nature of the grouping, making it a more global alliance and increasing cooperation in the emerging world. Additionally, South Africa's relatively high per capita income statistics, constitutional democracy transition after apartheid, vast natural resources, advanced banking system, established corporate footprints, export ranking and diversification, largest African trading partner, a culture of innovation, strategic geographical position, a stable macro and micro financial climate, contribution to peace and security both internationally and in Africa, pro-poor orientation of public spending, infrastructure and environmental management, relatively high ranking on certain indices, industrial and technical capabilities, relations with China, Africa representation through being considered the largest Africa to Africa investor as well as the gateway to Africa for businesses contribute to BRICS. The chapter demonstrated that South Africa's inclusion is recognition of its strategic role in Africa and its ability to act as an interlocutor between Africa and the international community rather than population or GDP characteristics.

The chapter also indicated that South Africa's role in global governance structures as well as its position within constitutions influenced its BRIC selection over faster growing economies since South Africa is considered the voice of the continent. South Africa is seen

to 'represent' Africa as a committed regional and global player due to its inclusion in multinational organisations. The chapter also demonstrated that BRICS members chose South Africa due to its relations with BRIC members as well as the rise of Africa and engagement with Africa.

The chapter indicated that no other candidate country has ties with BRIC nations in comparison with South Africa. South Africa's track record has shown compatibility and foreign policy alignment with the BRIC group through various structures. This has built trust with BRIC members. South Africa's inclusion involved fewer risks of reducing the group's capacity to develop joint positions in international institutions in comparison to faster growing economies. This demonstrates BRICS is not decisively about a politico- economic grouping of comparable economic-demographic stature even though it is one of the determining factors in approving a countries membership.

Furthermore, the chapter indicated factors such as economic and political challenges, foreign policy conflict, rescuing Zimbabwe, inequality, poverty, unemployment, limited opportunities for the youth, crime, life expectancy limitations, and slow growth, in addition to its small population and economy which question South Africa's inclusion into the association. Nigeria's levels of corruption and international security demonstrated improvements. The chapter questioned whether Nigeria would have been selected if selection occurred after 2010 given the country's development plan initiative. The chapter, therefore, indicated concerns that Nigeria may replace South Africa as the regional leader since the country has already overtaken South Africa as the largest economy in Africa.

The chapter demonstrated that South Africa did not reduce the association's capacity to come to agreements at summits. In some instances, South Africa enhanced summit productivity. Numerous benefits that South Africa would have not achieved without BRICS membership were also highlighted. On other hand, South Africa may not be seen as a full member and rather the weakest member of the group. BRICS also complicates South Africa's ties with Africa and competition with BRIC challenges the country's economic interests. However, the chapter concluded that benefits outweighed the drawbacks for both BRIC and South Africa due to South Africa's inclusion.



In addition, the chapter highlights that South Africa should defend economic interests, trade intelligently, build strategic tactical alliances with individual member countries, invest in regional infrastructure, reduce intra-African trade barriers, promote the BRICS concept; reduce corruption human rights abuse and environmental damage, transform outdated ideas, accelerate innovation, improve skill transfer and education resources, strengthen links with BRICS and on a global basis, and expand comparative advantage sectors in order to justify its position in BRICS.

This chapter acknowledges South Africa's membership is due to 'strategic importance' rather than size. If only population and growth qualifies for BRIC membership, Nigeria would be the logical inclusion given the bloc is seeking expansion through an African partner. South Africa's inclusion ultimately symbolised the BRIC countries' initiative to take ownership of the idea instead of relying on Jim O'Neil's judgment about which country deserved to be a BRIC

**Chapter 4** specified the research methodology and design used to answer the research question. The chapter discussed the research framework which outlined the research process used to achieve objectives of the study. The research design used a conclusive and exploratory classification; primary data, communication approach data collection method, ex post facto (no control of variables), descriptive purpose, cross-sectional time dimension, statistical and case study scope, field condition research environment, and participants having no influence on the study.

Data was collected by making use of a self-administered questionnaire supplemented by conducting semi-structured interviews to determine whether South Africa belongs in BRICS. Self-administered pilot studies were conducted to confirm reliability and validity. The questionnaire was structured to include BRICS demographics, structure and choice; advantages and disadvantages for South Africa being a BRICS member, advantages and disadvantages if South Africa's inclusion into the grouping for BRICS members, BRICS summits, relationships, goals, South Africa's participation in other groups such as IBSA and BASIC, and the BRICS Bank. The instruments used in analysing the collected data were introduced. Permission to conduct the study and ethical considerations were also discussed.

**Chapter 5** covered the interpretation and analysis of data collected through the process outlined in Chapter 4. Quantitative results were analysed by means of SPSS with excel spreadsheets used to capture the data. The results were presented in terms of a brief introduction, the presentation of a frequency table, interpretation of descriptive statistics and a concluding remark. A qualitative, interpretivist approach was utilised. The thematic analysis process was also used to analyse the open-ended questions, data obtained from the self-administered questionnaire, and the semi-structured interviews. The results were presented by stating the theme, the related code and numerous quotations and overall opinions received from participants. The results were interpreted to determine the conclusion of the study.

**Chapter 6** concludes by discussing the results of the study. Conclusions of each study objective are highlighted and recommendations based on the results are stipulated. The chapter also deals with the limitations of the study and provides future research suggestions.

### **6.3 Conclusions of study objectives**

In this section conclusions of the primary and secondary objectives as well as overall conclusions are discussed. The previous chapter highlighted numerous significant findings of the study. The primary objective of this study is to investigate whether South Africa should be included in BRICs taking into account that the country is representing the whole of Africa with specific reference of whether South Africa was the best choice for BRIC membership. The findings indicate that 40% of participants agreed, 36.7% strongly agreed South Africa deserves BRIC membership and represents Africa, which resulted in a total agreement of 76.7%.

The following secondary objectives were investigated:

#### **6.3.1 To establish the reasons for the establishment of BRICS in order to determine if South Africa meets the establishment criteria**

Firstly, participants indicated growth potential as rational for BRICS formation. Countries were considered newly advanced economies with favourable macroeconomic characteristics and room for growth. The current development status of each country was not considered a valid rational. Countries were expected to grow faster than developed

countries and play an increasingly important role in the world. The majority of participants felt that South Africa did not meet the growth potential rational for BRICS formation. Findings highlighted South Africa does not meet the requirements as it has already developed and growth has actually been on the decline whereas BRICS growth increased. In contrast, some participants felt South Africa may facilitate economic improvements and rise in the future. Overall, the results indicated that South Africa does not meet the growth potential requirements of the association,

Secondly, the findings highlighted that BRICS was an informal idea created by O'Neil which was formalised by Brazil, Russia, India, and China. Since members decided to formalise the group and create their own path, it was their decision to include South Africa, regardless of O'Neil's criticism. The initial members believed South Africa would help the group achieve goals. Thus, O'Neil's original intention of the association has experienced fundamental shifts. BRICS alliance is not simply a geopolitical trade or economic one based on size and growth, it is a strategic and tactical alliance based on both common and individual interests of members.

Thirdly, BRICS was formed to balance power and become independent from the western fiscal policy and economic dominance in order to develop a group of the strongest emerging non-western economies. South Africa constitutes as a non-western economy. Fourthly, BRICS was formed so that members of the group could work together to achieve common goals. Although the t-test of 2.037 is considered low, the majority of participants 56.7% agreed that BRICS countries share a common vision with each other. Findings suggested that South Africa faces the same challenges as members.

Therefore, the group can work to achieve common goals. South Africa is inclined towards the developing world and also shares BRICS perceptions such as the need for the developing world to have a greater voice, shifts in global governance structures, and striving for more equality in global systems. The results suggested BRICS is more than a group of countries with high growth rates. Instead, it is a group of countries sharing a common vision. South Africa is seen to demonstrate a sharp track record of BRIC comparability. Fifthly, BRICS was formed to create a group of second world countries that have not yet achieved first world status, yet do not share the poverty and corruption burdens of third world countries. South Africa constitutes as a second world country.

Sixthly, BRICS was initially created to facilitate informal discussions of economic issues and global development that the world faces today, but has since formalised by having a BRICS Bank. South Africa has demonstrated the ability to participate in informal discussions on various forums and also facilitated the development of the BRICS bank.

Lastly, the association was formed to improve economic, financial, and trade cooperation among members. Since South Africa is already active in various groupings with members, it could help BRICS resolve differences and improve cooperation. Overall, the results indicated that South Africa shows reasons as to why the group was formed, with the expectance of growth potential.

### **6.3.2 To determine why South Africa is the best country of choice in Africa to be included as a member of BRIC.**

With 40% of participants agreeing, 36.7% strongly agree, and a t-test of 4,161, the results indicated that participants were in agreement that South Africa deserves to be in BRICS.

The findings indicated that participants did not agree (t-test -0.571) that South Africa was chosen to be part of BRICS because of its favourable geographic location and its position relative to other members'. Participants felt South Africa's location at the far southern tip of the continent implies geographically the country is only close to a handful of other African countries.

Despite South Africa's demographic shortfalls, participants agreed (t-test 3.254) that South Africa is a reasonable choice to be included in BRICS when the whole continent is considered. Therefore, South Africa is seen to overcome the drawback of population and size by representing the whole of Africa.

Participants agreed (t-test 5,676) that South Africa is the right choice for BRICS since summits were more productive after South Africa's inclusion. The findings indicated that this was largely due to the development of the BRICS bank which occurred after South Africa's inclusion. However, the findings highlighted that South Africa joined at the right time and plans were already underway. Overall, the results indicate South Africa belongs in BRICS due to summit progression.

The results indicate that participants felt very strongly (t-test 13.706) that the interaction between South Africa and BRIC members contributed to generating trust and common goals which put South Africa above other competitors, making it the logical choice. Participants were of the opinion that South Africa was a far more natural choice than other African countries and involved fewer risks in reducing the group's capacity to develop joint positions in multilateral forums.

It is thus fair to say that without BASIC and IBSA, South Africa's inclusion into the grouping would have been far less likely. This feedback shows that the BRICS platform today is more than a group of countries with high growth rates and it is about common ideas and policy positions and South Africa's track record has shown its compatibility with the BRIC group. Seen from this perspective, it demonstrates why South Africa was chosen above larger or faster growing economies.

Results (t-test 5.635) indicate that participants did not view South Africa's lack of size as being detrimental to contributing to BRIC's common goals. Rather, participants depicted South Africa as having a sound position to contribute to BRICS goals by facilitating the development of the BRICS agenda

South Africa is seen to contribute to BRICS as results indicated the country is the gateway to Africa. This is due to South Africa being considered the largest investor in Africa and businesses becoming more adapt to doing business in Africa and the country providing innovation to BRICS countries on dealings with Africa. South Africa is a strategic partner for investment facilitating the flow of investment from BRIC countries to other African countries in order to exploit untapped opportunities. South Africa is seen to represent the entire population of Africa which possesses the second largest population after Asia.

This is seen to overcome the negative connotations of macroeconomic characteristics. Despite Nigeria possessing the position of the fastest growing country on the continent, the findings still indicated that South Africa is a regional leader and global player as it is the voice of Africa on numerous international forums. South Africa contributes to BRICS due to sophisticated financial markets, auditing and reporting. South Africa provides an African perspective to the association since the original group did not contain a member from the continent. South Africa increases BRICS resource pool and economic weighting of the

group. Results indicated South Africa has the soft power needed to play a conservative role in BRICS to rebalance power globally.

The country has a high per capita income, market capitalisation, index rankings, and diversification benefits for the association. Overall, results indicated that even though other African countries are growing faster, these countries are not as easy to trade with as South Africa due to infrastructure, financial intuitions and favourable business environment. Furthermore, these countries have less diversification and more crime and instability in comparison.

On the other hand, South Africa lacks influence in comparison to members. South Africa's inclusion has taken time and effort for members to justify since it was not part of the original association. As mentioned, the results indicate South Africa lacks the geographic position since it is at the very southern tip of Africa. Findings also suggested South Africa could benefit more from the association than the association benefits from South Africa.

Some participants believe South Africa may not represent Africa as representing 55 countries in Africa is hard for South Africa because African countries are bound to have contradicting views and South Africa differs from the poorer countries in Africa and the country may not be accepted by other countries as the leader. Economic apartheid is seen to hinder South Africa's economic growth.

South Africa's economy is also expressed as established with no room for further growth prospects. Overall, the main concern was South Africa not fitting the immediate characteristics of O'Neil's group. This is seen to create an uneven power balance with the association having to provide more support in development of growth to South Africa.

Findings indicated Nigeria is considered South Africa's highest competitor for BRIC membership. This is due to Nigeria challenging to take South Africa over as the regional leader, it is part of the N11, which does not include South Africa, is the fastest growing economy with a higher GDP and larger population than South Africa.

Furthermore, it is an African country, which meets O'Neil's criteria of the original coining, and BRICS desired a member from the continent. However, Nigeria may not be able to

satisfy its growth as its exports are dependent on oil and lack diversification. Nigeria has an unstable political system. Overall, results indicated that Nigeria should only be selected if only non-descriptive characteristics were considered. Egypt is favoured due to strategic location, relations with India, N11 status and representation of both the Middle East and Central Asia.

Indonesia's benefits were depicted as N11, G20 and ASEAN membership. Indonesia is considered to have one of the highest populations in the world. On the downside, Indonesia is more focused on trade relations with countries such as Japan and Singapore. The association already has China to access these partnerships and desired African representation. Turkey meets the original BRIC requirements, however it is considered too developed for BRIC status.

Kenya was highlighted due to countries previously investing in South Africa to invest in it is nearly three times as big as South Africa, part of the N11 and OECD. Controversially, it was also indicated that South Africa may be too developed already. Mexico is indicated as competition due to favourable size, N11 and OECD status, and increased competitiveness. Results indicated that Mexico, together Mexico, Indonesia, Nigeria and Turkey together to form a group called MINT.

These countries were grouped together because of their large populations, favourable demographics and emerging economies. The MINTS are seen to have smaller economies than the original BRIC grouping. Therefore, even those these competitors were disappointed that they were not invited to join BRICS, a new grouping emerged which was more suitable for the characteristics of these countries

### **6.3.3 To identify areas of improvements needed for South Africa to be included as a member of BRICS.**

Results indicated that South Africa should strive to improve macro-economic characteristics that constitute to the original members being included in the group. This could be achieved by advancing manufacturing sectors, improving infrastructure and servicing exports. South Africa should decrease unemployment levels and increase the working age population parameter. South Africa can improve on willingness to participate in exchange programs and visa reductions through BRICS membership.

Moreover, the findings emphasised that South Africa must be more flexible in allowing BRIC countries to invest in the country. South Africa should attempt to resolve differences amongst members and encourage cooperation. South Africa should use BRICS memberships to intensify the country's own objectives. South Africa can benefit from BRICS by working to achieve personal goals, yet achieving common goals at the same time. South Africa should increase competitiveness by using new ideas and skills gained from BRICS members and replicating economic success stories of Brazil, Russia, India, and China.

The results indicated that South Africa should encourage inclusion of new members that are likely to play a vital role in the group. This could improve power imbalance and take the attention off of South Africa's invitation. South Africa should play a neutral role in cooperating and competing with the West. South Africa can benefit from membership by standing together with other developing and BRIC countries, but simultaneously should not go against the West and destroy these relationships. South Africa should improve relationships with African countries to achieve their specific goals instead of only focusing on South Africa's goals.

#### **6.3.4 To identify the advantages and disadvantages of South Africa being a member of BRICS**

The results indicated South Africa benefitted from an improved global perception, economic cooperation, joint ventures and business partnerships, increased standard of living, the opportunity to achieve the BRICS vision, trade advancements, prevention of stagnation such as financial crises, future growth potential, geographical reach, expansion and inclusiveness, support from larger members, and finance and funding from the BRICS bank.

In contrast, the results suggest it may be difficult for South Africa to come to a consensus regarding foreign policies due to BRICS countries often not being unified. There was an indication that BRICS should overcome differences. BRICS could hurt South Africa's manufacturing sector since BRICS countries export manufactured goods to South Africa, while South Africa exports raw materials. There is the danger that BRICS countries might pursue their own self-interests since countries are both partners and rivals.

Findings also highlighted that South Africa's BRICS membership may hamper its own representation in Africa's untapped markets. There was the concern that given South



Africa's size larger BRIC countries may take advantage of the country. In general, there was a concern that BRICS has complicated South Africa's commitment with its role of representing power of African countries and its own foreign policy goals foreign policy's and could cause South Africa to neglect prior engagements such as IBSA, which has developed concrete co-operation and progress over the years.

Furthermore, since South Africa joined the group at a later stage, there is the concern that BRICS could highlight South Africa's risks rather than the country's strong points. BRICS could shift South Africa's global image from what participants indicated as the most developed economy in Africa to the smallest member of the grouping. BRICS may complicate ties with neighbouring countries due to global affairs, BRICS could lead to South Africa patronising non-BRICS countries and the West.

Finally, the findings indicated South Africa should rather focus on improving the country's issues before focusing on global issues.

#### **6.4 Conclusions of the study**

Following the results and objectives discussed above, this study provided insight into whether South Africa belongs in BRICS. Even though certain African countries are growing faster than South Africa and part of the N11, these countries are still not as easy to trade with as South Africa, due to its financial institutions, infrastructure, and business environments in comparison to other African countries. While other African countries numbers in terms of GDP and population is attractive, the big picture needs to be investigated.

There is often more crime and instability or lack of diversification by relying mainly on natural resources or their institutional capacities are not as developed. The majority of these African countries are still third world countries. Additionally, African competitors cannot be seen as the regional leader and gateway to Africa as South Africa is the regional leader and has demonstrated this by being the head of SADC, AU and the only African country in the G20. African countries have also not been able to demonstrate a common vision and comparability with BRICS members like South Africa has through groups such as IBSA and

BASIC. Therefore, these countries may have different goals to BRICS in comparison to South Africa.

With regards to BRICS competitors like Indonesia, South Korea, Turkey, and Mexico, these countries were not chosen to be part of BRICS as the members stressed the desire for a member from the African continent. Additionally, these countries were all considered to be too far along development to be part of BRICS. It was noted that South Africa was not positioned strategically as it is on the southern tip of Africa in comparison to competitors. It was also concluded that Mexico, Indonesia, Nigeria and Turkey did not meet the BRICS requirements but a group called MINT, which matches their characteristics, has emerged.

BRICS is now a group of middle-weight countries who share common goals rather than a group with high growth rates. South Africa has demonstrated a long track record of compatibility, common perceptions and challenges with the members in groupings such as IBSA and BASIC. South Africa must refrain from neglecting these previous groupings now that it is part of BRICS. South Africa was also invited to help the members resolve differences and improve cooperation in the grouping. South Africa can improve on the original BRICS criteria by advancing certain sectors, joint partnerships with BRICS, decreasing unemployment and replicating success stories of members. Therefore, South Africa does not meet the requirements from an analytical point of view on the basis the group was created in 2001, but the fundamentals of the grouping have now changed and South Africa is valuable from a political aspect.

South Africa meets the population requirements to be part of BRICS as it represents the whole population of Africa, and is the regional leader and gateway to Africa. However, South Africa must balance the contradicting views of 55 countries in Africa and work together with these countries to achieve their goals. The original grouping was not well-equipped to meet the needs of Africa, which was one of the main reasons for South Africa's inclusion as it has linked Africa to BRICS and the rest of the world. South Africa should encourage the inclusion of other members into the grouping to improve the power imbalance and avoid being exploited by larger members.

Additionally, South Africa is considered a second world and not a third world country, which meets the criteria of the grouping. South Africa's inclusion had to be justified by members

and analysts have not yet fully accepted South Africa simply because members have. However, it was the member's choice to formalise the grouping and they chose South Africa as they believed the country could help achieve their goals. The members might have to provide more support and development to South Africa given its size, but they were aware of this when they invited the country to join and must believe the benefits South Africa offers the group outweighs the disadvantages.

South Africa contributes to the grouping by improving the productivity of summits, increasing the economic weighting of BRICS resource pool, having advanced banking systems, regulations, bond markets, high bond and market capitalisation ratings, and offering export diversification to BRICS.

Of all the BRICS countries the wildcat is Russia since it is more industrialised and not from the traditional South (Kingah & Quiliconi, 2016).

Overall, the reasoning for South Africa to be included in the group outweighs the negatives. Therefore, South Africa contributes to the BRIC in BRICS and meets the requirements to be part of the group when the non-descriptive characteristics such as population and GDP are not considered the only factors to contribute to BRICS. Based on these findings, recommendations of the study are made in the next section.

## **6.5 Recommendations**

This study has indicated South Africa belongs in BRICS despite criticism from the global community given South Africa's lack of demographic and economic potential in comparison to Brazil, Russia, India, and China. Recommendations are mentioned below against this criticism in favour of South Africa's inclusion.

It is recommended that the global community should not view South Africa as a standalone country. Instead, South Africa should be viewed to represent the whole of Africa. This is due to South Africa being depicted as the voice of Africa and gateway to the continent. This is demonstrated by South Africa's global economic prominence, especially through multilateral organisations (Dubbelman, 2011). South Africa is also endowed with abundant minerals, natural resources, and relatively well-developed financial, energy, and transport sectors. As

a result the nation is seen as the continental leader in terms of infrastructure, financial institutions, and outward investments (Onyekwena, Taiwo & Uneze, 2014).

Following Asia, Africa has the second highest continent population. Africa is also the second fastest growing continent in the world, trailing Asia (South Africa Government, 2016). The continent also contains many untapped opportunities. South Africa facilitates BRICS link to opportunities in Africa given established corporate footprints in the continent.

BRICS is an attempt to pool the potentials of five countries in order to form a political alternative and increase the association's weight in global affairs. South Africa representing Africa increased the political weight of the group. In addition, South Africa constitutes to approximately a third of economic activity in sub-Saharan Africa and 80% of economic activity in the SADC (Onyekwena, Taiwo & Uneze, 2014).

The global community, thus, may also view South Africa as representing the SADC, which has a population of over 250 million people, larger than that of both Brazil and Russia. South Africa enters the group as the most powerful economy on a fast growing, developing continent and not a medium-small economy (Martins, 2011). Viewed this way, South Africa is no longer the smallest member of the group.

Non-parameter characteristics such as growth should also not be considered alone. In essence, a country may have a low debt to GDP ratio, but low credit rating and instability. For example, factors such as diversification, low levels of crime, stability, institutional capabilities, and diversification should be considered. For this reason, South Africa was included in comparison to competitors.

Reasons as to why Brazil, Russia, India, and China formalised the group from O'Neil's initial idea should also be considered when analysing whether South Africa belongs in BRIC. BRICS was formulated due to growing demands of members and the inability of the West to satisfy demands, the creation of new Bretton-type institutions inclined towards the developing world and the need to pursue their own path. Overall, BRICS was formed to improve economic, financial and trade cooperation amongst members. South Africa belongs in BRICS given rationale for the formation of the association.

The group is heterogeneous in nature with a lack of cohesive identity. This is seen as the evolutionary nature of the group as the association seeks to find an identity on which to ground the association. BRICS should not be viewed as a group of politico-economic group of comparable economic- demographic stature (Pinto, 2012). Instead, BRICS is a platform for common ideas and policy positions. Members have not stipulated a single requirement for BRICS membership. However, the association is seen to value compatibility and relationships as more relevant than growth rates and size. BRICS should not be viewed as an organisation, nor a free-trade zone or economy community.

Instead, BRICS are an aggregate of five emerging powers with similar multiple interests seeking common co-operation mechanism. South Africa has no place from an analytical point of view, yet South Africa is valuable from a political aspect. BRICS is now a group of middle weight countries who share a common view and desire for greater representation in the developing world. It is recommending that BRICS now be viewed as middle weight economies. BRICS alliance is not a geographical trade or economic one based on size and growth, it is a strategic and tactical alliance based on both common and individual interests of members. South Africa's membership should be seen as strategic importance, rather than size. Therefore, BRICS should work on defining itself as a group. Seen from this perspective there should be less uncertainty regarding South Africa's inclusion.

Given the above, fundamental shifts have occurred since O'Neil's initial idea. The informal BRIC initiative should be viewed as O'Neil's initiative. However, members decided to act on the initial idea and formulise the association. Thus, the formal BRICS initiative should now be viewed as a new development. South Africa's inclusion should be regarded as the members' rather than O'Neil's choice.

BRICS should be classified as a group of second world countries. Due to large populations, favourable demographics, and emerging economies, competitors for BRICS membership, namely, Mexico, Indonesia, Nigeria and Turkey have been grouped together to form MINT. MINT is considered more suitable for competitors given smaller economies than BRICS. Competitors should follow BRICS example and focus on formalising suitable associations.

The findings and recommendations of the study should be useful to the association, South Africa, and the global community as it justifies South Africa's inclusion, as well as solutions for future classification of BRICS to prevent uncertainty.

## **6.6 Limitations of the study**

The study was conducted by making use of a self-administered questionnaire and semi-structured interviews. As a result, the credibility of the report depended on the honesty of the participants. The fact that the study relied on information the participants disclosed, formed a limitation. In addition, some participants who were from South Africa tended to be biased towards South Africa's inclusion into the group in comparison to participants who were not South African.

Furthermore, even though confidentiality and anonymity were guaranteed, participants were reluctant to participate in the study. They feared exposing their views would negatively affect their career since interviews were conducted at their place of work. There were also time constraints on semi-structured interviews which prevented obtaining detailed information in some instances. Some questionnaires were also received after the deadline of 30 days which were not included in the study.

## **6.7 Suggestions for future research**

The following serves as suggestions for future research:

- Expand the research further to analyse the macroeconomic contributions of Africa in comparison to the respective continents of members.
- Investigate whether BRIC countries growth has declined to become middle weight economies from initial large, emerging economies.
- Conduct research to assess if Russia belongs in BRICS. Numerous studies have indicated that Russia is the wildcat since it is more industrialised and not from the traditional South.
- Future research is necessary to investigate what defines the new formal BRICS development in comparison to O'Neil's initial initiative.

## **6.8 Summary of the chapter**

This chapter presented the main findings on whether South Africa belongs in BRICS. Recommendations were provided for further action by BRICS and South Africa. The chapter also provided a discussion of the findings and limitations of the study. Practical future research suggestions were also stipulated. It is foreseen that the study will positively contribute to the academic field and provide new ideas to both the global community as well the BRICS association to lead to solutions on BRICS classification challenges.

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## ANNEXURES

### Appendix A Consent form

16 April 2016

Questionnaire: Is South Africa worthy of their BRIC in BRICS?

Dear Participant:

My name is Tamsin Valjalo and I am doing my Master's Thesis at The University of South Africa. For my final project, I am examining 'Is South Africa worthy of their BRIC in BRICS?'

The purpose of the project is many analysts did not welcome the inclusion of South Africa in the BRICS Group. The man credited with the BRIC acronym has long contended that South Africa's population is too small for the BRIC status and the country is 'struggling to increase productivity and burdened by high unemployment and social costs.' This questionnaire will examine if this is a valid statement and whether South Africa belongs in BRICS, taking into account the populations and economies of Africa as South Africa represents the whole of Africa.

As you have knowledge on BRICS which is my research criteria, I am inviting you to participate in this research study by completing the attached survey which will require approximately 15 minutes of your time to complete. If you choose to participate in this project, please answer all questions as honestly as possible and return the completed questionnaires by email to [tamsinvaljalo@yahoo.com](mailto:tamsinvaljalo@yahoo.com) by no later than 30 May 2016.

Participation is strictly voluntary and you may refuse to participate at any time. There is no penalty for non-participation, nor is there any compensation for participation. The data collected will only be shared with the research supervisor, statistician and in extraordinary cases various BRICS organisations. The data will be stored in the form of a password protected EXCEL spreadsheet, however the individual

responses will not be identifiable. The data from the survey will be treated as confidential and the questionnaire is anonymous.

Thank you for taking the time to assist me in my educational endeavours. The data collected will provide useful information as to if South Africa was the best choice of country and the reasons for the choice.

At the end of the questionnaire you will be given an option if you would like a copy of the summary of the answers. Completion and return of the questionnaire will indicate your willingness to participate in this study. If you require additional information or have questions, please contact me at the number listed below. If you are not satisfied with the manner in which this study is being conducted, you may report anonymously any complaints to:

By **MAIL:**

Office of the Ombudsman  
PO Box 392  
University of South Africa  
0003

BY **HAND:**

UNISA Sunnyside North Campus  
Cnr Steve Biko & Justice Mahomed Roads  
Building 6 (Office No: 40)

BY **EMAIL:**

[ombudsman@unisa.ac.za](mailto:ombudsman@unisa.ac.za)

OR **CONTACT:**

Ms Dikeledi Hlabangane  
Tel: 0861 10 66 88 / 012 481 2874

Instructions:

Please highlight in BOLD or circle the degree to which you agree or disagree with the relevant statement where **1 = strongly disagree to 5 = strongly agree**. **An additional option of 6 is also included if you do not have knowledge of the question being asked.**

For example should you agree with the statement that South Africa should be part of BRICS, circle or highlight the number 3 in bold.

Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree	Not Sure/ not Applicable

Sincerely

Tamsin Valjalo (Student)  
50799878 (Student Number)  
(082)5564534 (Student Cellphone Number)  
tamsinvaljalo@yahoo.com (Student e-mail address)

## Appendix B Questionnaire

### Questions:

Please read the followings statements and decide to what extend you agree or disagree.

1) South Africa deserves to be part of BRICS.

Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree	Not Sure/ Not Applicable
1	2	3	4	5	6

2) South Africa is part of BRICS because it is a convenient geographical hub between the other BRIC members.

Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree	Not Sure/ Not Applicable
1	2	3	4	5	6

3) Do you agree Africa represents a sizeable economy and a large population when compared to Brazil, China, Russia and India?

Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree	Not Sure/ Not Applicable
1	2	3	4	5	6

4) South Africa represents the whole of Africa, therefore making it a reasonable choice to be part of BRICS.

Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree	Not Sure/ Not Applicable
1	2	3	4	5	6

5) BRICS summits were more productive after South Africa was included in the grouping.

Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree	Not Sure/ Not Applicable
1	2	3	4	5	6

6) South Africa was chosen to be part of BRICS because it already worked with BRICS countries through IBSA and BASIC.

Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree	Not Sure/ Not Applicable
1	2	3	4	5	6

7) BRICS countries share a common vision with each other.

Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree	Not Sure/ Not Applicable
1	2	3	4	5	6

8) South Africa actively contributes to the goals of BRICS.

Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree	Not Sure/ Not Applicable
1	2	3	4	5	6

9) South Africa was chosen to represent African countries due to sound relationships with other BRIC countries.

Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree	Not Sure/ Not Applicable
1	2	3	4	5	6

10) BRICS bank will be successful in the future.

Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree	Not Sure/ Not Applicable
1	2	3	4	5	6

**Please answer the following questions:**

10) Why do you think BRICS was formed and does South Africa meet the requirements of the countries selected to form the grouping?

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11) What do you think South Africa can improve on to benefit from BRICS?

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- 12) What do you think is South Africa's biggest advantage and disadvantage of being a BRICS member?

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- 13) What can South Africa contribute to BRICS and how does its inclusion hinder the other BRIC countries?

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- 14) If South Africa was not chosen to be part of BRICS which country should rather have been included and why?

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THANK YOU FOR YOUR PARTICIPATION IN THE RESEARCH.